

# Drinking Water State Revolving Fund

## Annual Report



**MISSOURI**  
DEPARTMENT OF  
NATURAL RESOURCES

# 2017

## **TABLE OF CONTENTS**

|       |   |    |
|-------|---|----|
| I.    | Introduction  | 1  |
| II.   | Executive Summary   | 1  |
| III.  | Binding Commitments for 2017 Reporting Period                   | 3  |
| IV.   | Cumulative Binding Commitments                                  | 3  |
| V.    | Drinking Water SRF Applications and Loans Awarded               | 4  |
| VI.   | Objectives and Goals of the Drinking Water State Revolving Fund | 6  |
|       | Long Term Objectives and Goals                                  | 6  |
|       | Short Term Objectives and Goals                                 | 6  |
| VII.  | Progress Toward Achieving Objectives and Goals                  | 7  |
|       | Progress Toward Meeting the Long Term Objectives and Goals      | 7  |
|       | Progress Toward Meeting the Short Term Objectives and Goals     | 9  |
| VIII. | Set-Aside Activities  | 10 |
|       | Administration and Technical Assistance                         | 10 |
|       | Small System Technical Assistance                               | 11 |
|       | Public Water System Supervision Program Management              | 13 |
|       | Local Assistance and Other State Programs                       | 14 |
| IX.   | Maintaining Drinking Water SRF Financial Assistance Programs    | 19 |
|       | Financial Assistance Programs                                   | 19 |
|       | Order of Priority for Distribution of Loan and Grant Funds      | 20 |
|       | Projects Reviews  | 21 |
| X.    | EPA Recommendations on Performance Evaluation Report            | 25 |
|       | Annual Program Review   |    |
| XI.   | Proposed Improvements   | 26 |
| XII.  | Policy Summary  | 26 |
| XIII. | State Environmental Review Process                              | 27 |
| XIV.  | State Match   | 28 |
| XV.   | Details of Activities   | 28 |
|       | Drinking Water SRF Regulations                                  | 28 |
|       | 2017 Binding Commitments  | 29 |
|       | Cash Draw Ratio (Proportionality)                               | 29 |
|       | Green Project Reserve   | 29 |
|       | Additional Subsidy  | 30 |
|       | Federal Funding Accountability and Transparency Act             | 32 |
|       | Assembled Necessary Staff                                       | 36 |
|       | Grant Conditions Compliance                                     | 36 |
| XVI.  | Management's Discussion and Analysis                            | 37 |
|       | Financial Highlights  | 37 |
|       | Overview of the Financial Statements                            | 38 |
|       | Financial Analysis  | 39 |

## **EXHIBITS**

|    |  |    |
|----|--|----|
| 1. | SRF Binding Commitments  | 44 |
| 2. | Statement of Net Position  | 49 |
| 3. | Statement of Revenues, Expenses and Changes in Fund Net Position | 50 |
| 4. | Statement of Cash Flows  | 51 |
| 5. | Statement of Fiduciary Net Position                              | 52 |
| 6. | Notes to the Financial Statements                                | 53 |
| 7. | Required Supplementary Information                               | 83 |
| 8. | SRF Source and Distribution of Loan Administration Fees          | 84 |

## **I. Introduction**

Missourians rely on a vast network of drinking water system infrastructure improvements in order to supply safe drinking water to customers. Since the program's inception, the Drinking Water State Revolving Fund has been one of Missouri's primary funding sources for making investments in communities and the future of our state. The Drinking Water SRF, managed by the Missouri Department of Natural Resources' Financial Assistance Center, makes low-interest loans to local communities to help them meet their drinking water needs. The department is committed to protecting Missouri's water resources that are so important to public health and its economy.

This report details the activities undertaken to reach the goals and objectives set forth in the Intended Use Plans developed for 2017. It also describes progress made toward long and short term program goals, the sources (e.g., federal grants) and uses of all funds (e.g. loans), financial status of the Drinking Water SRF program, and compliance with federal Drinking Water SRF requirements.

## **II. Executive Summary**

This report addresses operation of the Drinking Water SRF program during the time period from Oct. 1, 2016 through Sept. 30, 2017.

Missouri's Drinking Water SRF program was awarded a total of \$16,637,000 in Environmental Protection Agency (EPA) capitalization grants during the reporting period. Missouri made eight direct loans totaling \$19,051,000 and five SRF grants totaling \$6,482,878 during the reporting period. During this reporting period, no pooled leveraged loan closings occurred. (Refer to the table on page 5).

The Water and Wastewater Loan Revolving Fund, Fund 0602, was established to receive loan repayments, which are then used to make new loans. As of Sept. 30, 2017, the Water and Wastewater Loan Revolving Fund had a balance of \$66,107,718. The Drinking Water SRF capitalization grants balances for Drinking Water SRF projects was \$13,191,347 as of Sept. 30, 2017. The EPA capitalization grant balance related to the Drinking Water set-asides was \$8,379,077 as of Sept. 30, 2017. The Drinking Water SRF capitalization grant balance total is \$21,570,424.

Missouri's Drinking Water SRF program was awarded a total of \$358,330,331 in EPA capitalization grants and amendments through Sept. 30, 2017. This amount does include an in-kind amount of \$1,444 on the FS997629-00 grant and the in-kind amount of \$100,000 for each of the FS997629-06 and FS997629-08 grants, and \$74,397 on the FS997629-11 grant. During state fiscal year 2013, \$18,500,000 of Drinking Water SRF capitalization grant funds were transferred to the Clean Water SRF program. FS997629-07, FS997629-08, FS997629-09 and FS997629-10 Drinking Water SRF capitalization grants were amended to reflect this transfer of capitalization grant funds. In federal fiscal year 2014, \$5,000 was rescinded from the Drinking Water SRF capitalization grant. These amounts are not available to be drawn.

The Drinking Water SRF program has contributed state match of \$60,766,791, which includes \$15,504,549 of state appropriations, \$31,273,200 of revenue bonds, \$7,085,242 of funds contributed through rural water grants and a transfer of \$6,903,800 from the administration fee fund. Since inception of the program, the state of Missouri has made 73 leveraged loan commitments totaling \$250,735,000; 70 direct loan commitments totaling \$164,254,200; and 50 grant commitments totaling \$46,896,394.

Following is a list of all the Drinking Water SRF capitalization grant awards from the inception of the program through the 2017 reporting period.

| <b>Drinking Water SRF Capitalization Grants</b>   |                         |                   |
|---|-------------------------|-------------------|
| <b>Drinking Water SRF<br/>Federal Fiscal Year</b> | <b>Award<br/>Amount</b> | <b>Cumulative</b> |
| 1997  | \$21,856,417            | \$21,856,417      |
| 1998  | \$9,572,970             | \$31,429,387      |
| 1999  | \$10,034,771            | \$41,464,158      |
| 2000  | \$10,429,700            | \$51,893,858      |
| 2001  | \$10,472,900            | \$62,366,758      |
| 2002  | \$11,702,600            | \$74,069,358      |
| 2003  | \$11,633,700            | \$85,703,058      |
| 2004  | \$12,066,800            | \$97,769,858      |
| 2005  | \$12,041,273            | \$109,811,131     |
| 2006  | \$15,978,200            | \$125,789,331     |
| 2007*   | \$15,978,000            | \$141,767,331     |
| 2008*   | \$15,816,000            | \$157,583,331     |
| 2009*   | \$15,816,000            | \$173,399,331     |
| 2010*   | \$26,234,000            | \$199,633,331     |
| ARRA  | \$37,862,000            | \$237,495,331     |
| 2011  | \$18,204,000            | \$255,699,331     |
| 2012  | \$17,348,000            | \$273,047,331     |
| 2013  | \$16,277,000            | \$289,324,331     |
| 2014**  | \$17,850,000            | \$307,174,331     |
| 2015  | \$17,738,000            | \$324,912,331     |
| 2016  | \$16,781,000            | \$341,693,331     |
| 2017  | \$16,637,000            | \$358,330,331     |

\*The original grant amount is listed in this table. These grants were amended.

\*\*This grant amount reflects the federal rescission.



Following is a summary of Drinking Water SRF binding commitments. The cumulative total of Drinking Water SRF binding commitments as of Sept. 30, 2017, is \$461,885,594. The Drinking Water SRF has never had a recipient default on any loan.

| <b>Binding Commitment Summary</b>                       |               |
|---|---------------|
| Cumulative Binding Commitments                          | Amount        |
| Leveraged Loans   | \$250,735,000 |
| Direct Loans (excludes Loans Paid with Leveraged Loans) | 164,254,200   |
| ARRA Grants   | 18,948,152    |
| SRF Grants  | 27,948,242    |
| Total Binding Commitments                               | \$461,855,594 |

### **III. 2017 Binding Commitments**

The department entered into eight direct loan commitments as well as five grant commitments totaling \$25,533,878 during the reporting period.

Missouri chose to provide additional subsidization in the form of grants. Program funds were committed to eligible projects through a combination of up to 50 percent grant and the remaining portion as a loan with a maximum grant of \$2,000,000 per recipient. Disadvantaged communities were eligible for additional subsidization in an amount up to 75 percent of the project with a maximum grant of \$2,000,000 per recipient.

| <b>Drinking Water SRF Commitments During the 2017 Reporting Period</b> |              |              |              |            |             |
|--|--------------|--------------|--------------|------------|-------------|
| Recipient  | Total Amount | Loan Amount  | Grant Amount | Date       | Project ID  |
| Lathrop  | \$1,861,710  | \$931,000    | \$930,710    | 12/01/2016 | DW291195-03 |
| Sunrise Beach  | 1,180,343    | 315,000      | 865,343      | 12/19/2016 | DW291219-02 |
| Harrisonville  | 9,544,000    | 9,544,000    | 0            | 01/17/2017 | DW291356-01 |
| Birch Tree   | 2,594,325    | 738,000      | 1,856,325    | 01/24/2017 | DW291350-01 |
| Reeds Spring   | 1,368,500    | 434,000      | 934,500      | 03/09/2017 | DW291348-01 |
| Sparta   | 3,792,000    | 1,896,000    | 1,896,000    | 06/27/2017 | DW291277-02 |
| Jackson Co PWSD #13  | 3,000,000    | 3,000,000    | 0            | 07/27/2017 | DW291336-01 |
| Scotland Co PWSD #1  | 2,193,000    | 2,193,000    | 0            | 09/21/2017 | DW291357-01 |
| 2017 Total   | \$25,533,878 | \$19,051,000 | \$6,482,878  |            |             |

### **IV. Cumulative Binding Commitments**

Exhibit 1 provides a listing of the binding commitments since the inception of the program. The cumulative total Drinking Water SRF binding commitments on Sept. 30, 2017, is \$461,885,594.

Since the inception of the Drinking Water SRF program, 193 binding commitments have been made. Of the 193 binding commitments entered into, 73 were leveraged loans, 70

were direct loans and 50 were grants. Three interim direct loans, which are not included in the binding commitment totals, were repaid and replaced with a leveraged loan.

The innovative financing provided through the Drinking Water SRF program allows communities to save a considerable percentage of the interest cost of conventional loans. To date, Missouri's Drinking Water SRF program has saved communities an estimated \$130,075,771 in lower interest compared to the higher interest rates of conventional financing. Additional subsidization through the Drinking Water SRF program has saved communities an estimated \$46,896,394 due to communities receiving grants.

## V. Drinking Water SRF Applications and Loans Awarded

Below is a summary of the number of new and carryover Drinking Water SRF applications for the 2017 reporting period. This information was taken from the Intended Use Plan for fiscal year 2017.

| <b>Drinking Water SRF Applications</b>         |                              |
|--|------------------------------|
| <b>Projects Accepted</b>                       | <b>2017 Reporting Period</b> |
| Number of New Projects                         | 6                            |
| Number of Carryover Projects                   | 15                           |
| Total Number of Projects                       | 21                           |
| Total Amount Requested of New Projects         | \$23,581,619                 |
| Total Amount Requested of Carryover Projects   | \$42,522,046                 |
| Total Amount Requested of Projects             | \$66,103,665                 |
| Total Population Served for New Projects       | 329,443                      |
| Total Population Served for Carryover Projects | 43,693                       |
| Total Population Served                        | 373,136                      |

The table below summarizes the number of projects approved, the amounts of the loans, grants and the total population served for those projects.

| <b>Drinking Water SRF Loan Projects<br/>Approved and Loans Awarded</b> | <b>2017 Reporting Period</b> |
|--|------------------------------|
| Number of Projects Approved (Closed Loans)                             | 8                            |
| Total Amount of Loans Closed   | \$19,051,000                 |
| Total Amount of Grants Closed  | \$6,482,878                  |
| Total Population Served  | 23,672                       |

The following table shows the cumulative Drinking Water SRF leveraged loan closings since the beginning of the program.

| <b>Cumulative Drinking Water SRF Leveraged Loans</b> |                        |                          |  |                          |
|--|------------------------|--------------------------|--|--------------------------|
| <b>Bond Pool</b>                                     | <b>Number of Loans</b> | <b>Total Loan Amount</b> | <b>Average Subsidized Interest Rate + 0.5 Administration Fee</b> | <b>Cumulative Amount</b> |
| 1998A  | 2                      | \$28,795,000             | 3.58%  | \$28,795,000             |
| 1999A  | 1                      | \$2,315,000              | 3.57%  | \$31,110,000             |
| 1999B  | 2                      | \$4,320,000              | 4.07%  | \$35,430,000             |
| 2000A  | 6                      | \$20,490,000             | 4.01%  | \$55,920,000             |
| 2000B  | 4                      | \$6,810,000              | 3.87%  | \$62,730,000             |
| 2001A  | 4                      | \$6,295,000              | 3.43%  | \$69,025,000             |
| 2001C  | 7                      | \$23,400,000             | 3.95%  | \$92,425,000             |
| 2002A  | 4                      | \$10,370,000             | 2.93%  | \$102,795,000            |
| 2002B  | 4                      | \$26,705,000             | 2.93%  | \$129,500,000            |
| 2003B  | 4                      | \$11,445,000             | 2.68%  | \$140,945,000            |
| 2003C  | 5                      | \$11,290,000             | 2.20%  | \$152,235,000            |
| 2004B  | 2                      | \$3,605,000              | 2.13%  | \$155,840,000            |
| 2004C  | 5                      | \$9,720,000              | 2.13%  | \$165,560,000            |
| 2005A  | 3                      | \$28,105,000             | 2.27%  | \$193,665,000            |
| 2005C  | 4                      | \$29,780,000             | 1.84%  | \$223,445,000            |
| 2006A  | 3                      | \$2,000,000              | 2.05%  | \$225,445,000            |
| 2006B  | 1                      | \$2,295,000              | 2.08%  | \$227,740,000            |
| 2007A  | 6                      | \$11,805,000             | 1.83%  | \$239,545,000            |
| 2007B  | 1                      | \$385,000                | 2.01%  | \$239,930,000            |
| 2008A  | 5                      | \$10,805,000             | 2.13%  | \$250,735,000            |

The table below summarizes the cumulative Drinking Water SRF direct loans since the program moved to the cash flow direct loans.

| <b>Cumulative Drinking Water SRF Cash Flow Direct Loans</b> |                        |                          |  |                          |
|---|------------------------|--------------------------|--|--------------------------|
| <b>Period Ending</b>  | <b>Number of Loans</b> | <b>Total Loan Amount</b> | <b>Average Subsidized Interest Rate + 0.5 Administration Fee</b> | <b>Cumulative Amount</b> |
| June 30, 2008   | 1                      | \$4,163,000              | 1.90%  | \$ 4,163,000             |
| June 30, 2009   | 1                      | \$2,900,000              | 2.23%  | \$ 7,063,000             |
| June 30, 2010   | 21                     | \$24,426,700             | 1.99%  | \$31,489,700             |
| June 30, 2011   | 5                      | \$2,692,900              | 2.37%  | \$34,182,600             |
| June 20, 2012   | 6                      | \$12,344,000             | 2.24%  | \$46,526,600             |
| June 30, 2013   | 9                      | \$7,153,600              | 2.08%  | \$53,680,200             |
| Sept 30, 2014   | 6                      | \$30,090,000             | 2.03%  | \$83,770,200             |
| Sept 30, 2015   | 7                      | \$7,893,000              | 1.82%  | \$91,663,200             |
| Sept. 30, 2016  | 6                      | \$53,540,000             | 1.61%  | \$145,203,200            |
| Sept. 30, 2017  | 8                      | \$19,051,000             | 1.66%  | \$164,254,200            |



## **VI. Objectives and Goals of the Drinking Water State Revolving Fund**

Each year the department evaluates the operations and the financial structures of the SRF program to gauge program's effectiveness. Long term and short term objectives and goals were established with the purpose of improving program services and investment returns. An assessment of these goals is included in this report. The following sections present the current strategies for program improvements.

### **Long Term Objectives and Goals**

In order to meet the long term objectives of improving the Drinking Water SRF's operations and service to its clients, the following goals were developed:

- 1) Protect public health by ensuring that all Missouri citizens will have water that is safe to drink;
- 2) Provide below-market rate financial assistance while ensuring the perpetual nature of the program;
- 3) Encourage systems to choose projects with the most cost effective solutions;
- 4) Ensure the long term sustainability of water systems and encourage projects to consolidate or interconnect in a regional manner that would reduce public health risks or make more efficient use of source water capacity and treatment processes;
- 5) Protect source water for drinking water systems;
- 6) Promote coordination efforts both within and outside the Department of Natural Resources for the purpose of expediting the funding of projects; and
- 7) Implement a strategy through the department's Capacity Development Program to improve the technical, managerial, and financial capacity of Missouri's public water systems.

### **Short Term Objectives and Goals**

In order to meet the short term objectives of improving the immediate operations and the availability of services to its clients, the following goals were developed:

- 1) Maximize the use and impact of available loan funds for eligible projects in accordance with the priorities and procedures described in this plan, using sound financial management;
- 2) Continue to assist water systems in meeting Safe Drinking Water Act requirements;
- 3) Secure source of state match for federal capitalization grants;

- 4) Have the Drinking Water SRF priority point criteria and readiness to proceed criteria updated and approved by the Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (Feb. 15, 2017); and
- 5) Develop and implement a marketing and communications plan to increase awareness of SRF funding.

## **VII. Progress Toward Achieving Objectives and Goals**

This section of the annual report discusses the progress that has been made in meeting those long and short term objectives and goals for the period from Oct. 1, 2016 to Sept. 30, 2017.

### **Progress Toward Meeting the Long Term Objective and Goals**

The objectives were developed to meet the long term (three to five years) goals of improving the Drinking Water SRF's operations and services to its clients.

Goal 1: Protect public health by ensuring that all Missouri citizens will have water that is safe to drink.

The department continues to meet this objective by providing affordable financing to public water systems to fund improvements to drinking water infrastructure. These improvements allow public water systems to continue providing safe, clean and abundant drinking water to the citizens of Missouri. The department has made a concerted effort to assist projects in moving toward funding. During the reporting period eight projects entered into funding commitments.

The department's Public Drinking Water Branch continues to provide oversight of all public water systems in the state to ensure compliance with the Safe Drinking Water Act. The branch uses set-aside funding to assist public water systems with compliance and public health issues by implementing and administering activities described in Section VIII of this report.

Goal 2: Provide below-market rate financial assistance while ensuring the perpetual nature of the program.

The "cash flow direct loan program" is functioning well. The department continues to evaluate the program structure to ensure the program provides a stable source of funding for drinking water infrastructure projects well into the future.

Goal 3: Encourage systems to choose projects with the most cost effective solutions.

The department coordinates with applicants throughout the process and thoroughly reviews the facility plans and scope of work for each project to ensure effective solutions are implemented.

Goal 4: Ensure the long term sustainability of water systems and encourage projects to consolidate or interconnect in a regional manner that would reduce public health risks or make more efficient use of source water capacity and treatment processes.

The department's priority point criteria awards points for projects that ensure long term system viability. This leads to the funding of these projects and progress towards accomplishing this goal. Staff evaluates each applicant's technical, managerial and financial capacity (TMF). As projects are developed, staff works with the applicants to ensure that TMF will be maintained.

Applicants are also encouraged to include more than one method of accomplishing the project's objective. Staff then works with the applicant to select the method that best addresses this and other goals.

The Public Drinking Water Branch uses set-aside funding to develop, update, and implement Missouri's Capacity Development Strategy, which is a comprehensive plan for assisting all public water systems with their technical, managerial, and financial viability. The branch evaluates the TMF capacity of new community and nontransient noncommunity systems to ensure they can provide safe and adequate drinking water over the long term.

Goal 5: Protect source water for drinking water systems.

The department is actively involved with existing and future regional water systems. Each of these systems has protected long term sources of water.

The department's priority point criteria also awards points for these types of projects. This increases the probability of the projects receiving funding. The department uses set-asides to protect source water for public drinking water systems. Grants are made available to community water systems to develop source water protection plans, implement source water protection measures, and plug abandoned wells that pose a threat to the drinking water aquifer.

Goal 6: Promote coordination efforts both within and outside the Department of Natural Resources for the purpose of expediting the funding of projects.

Program staff has a collaborative working relationship with other department staff as well as other state and federal agencies in an effort to expedite project development and to make the most efficient use of available funding from each agency. This takes place through the Missouri Water and Wastewater Review Committee, comprised of members from the Department of Natural Resources, the Missouri Department of Economic Development Community Development Block Grant Program, and the U.S. Department of Agriculture Rural Development Program. These relationships assist in maximizing the environmental and public health impact of the limited available funding.

Goal 7: Implement a strategy through the department's Capacity Development Program to improve the technical, managerial, and financial capacity of Missouri's public water systems.

The department assists applicants on the review of their operations, financial stability, infrastructure needs, and to maintain or achieve compliance with Drinking Water Regulations.

The Public Drinking Water Branch uses set-aside funding to develop, update, and implement Missouri's Capacity Development Strategy, which is a comprehensive plan for assisting all public water systems with their technical, managerial, and financial viability. The branch evaluates the TMF capacity of new community and nontransient noncommunity systems to ensure they can provide safe and adequate drinking water over the long term.

### **Progress Toward Meeting the Short Term Objectives and Goals**

The objectives were developed to meet the short term (one to three years) goals of improving the Drinking Water SRF's immediate operations and the availability of services to its clients:

Goal 1: Maximize the use and impact of available loan funds for eligible projects in accordance with the priorities and procedures described in this plan, using sound financial management.

Program staff continues to work with applicants to achieve readiness-to-proceed status. The incorporation of readiness-to-proceed criteria in the review process has enabled projects to proceed to loan closing in a timely manner, thus enabling the program to maximize the use of available funds.

Staff is also doing more one-on-one work with applicants to facilitate the projects moving through the process. This process has been successful in reenergizing projects that appeared to have been stalled.

Goal 2: Continue to assist water systems in meeting Safe Drinking Water Act requirements.

As Safe Drinking Water Act requirements increase, staff works with systems to ensure that projects will result in meeting or exceeding the requirements in an affordable manner. Financial Assistance Center staff coordinates with staff in the Public Drinking Water Branch to ensure compliance. The Public Drinking Water Branch administers the Drinking Water SRF set-asides to provide technical and compliance assistance to public water systems.

Goal 3: Secure source of state match for federal capitalization grants.

The department identified administration fees as the source of state match for the 2015, 2016, and 2017 capitalization grants. During the reporting period the department transferred \$3,356,200 from the administration fee fund to the loan fund for state match of the 2016 capitalization grant. \$3,547,600 was transferred during the previous reporting period for state match of the 2015 capitalization grant for a total transfer of \$6,903,800. A similar transfer is expected to be made next year for state match to the 2017 capitalization grant.

Goal 4: Have the Drinking Water SRF priority point criteria and readiness to proceed criteria updated and approved by the Missouri Safe Drinking Water Commission at least 60 days prior to the initial application receipt deadline (Feb. 15, 2017).

This objective was accomplished on Oct. 6, 2016.

Goal 5: Develop and begin implementation of a marketing and communications plan to increase awareness of SRF funding.

A draft marketing plan has been developed. Examples of marketing and communications include exhibit booths at municipal conferences, presentations at conferences and forums, one-on-one meetings with community leaders, press releases, and direct contact.

## **VIII. Set-Aside Activities**

When Congress established the Drinking Water SRF in 1996, it included special provisions called “set-asides” for the purpose of helping states better achieve the public health protection objectives of the Safe Drinking Water Act. The set-asides provide funding to enhance state public drinking water programs and assist systems with non-infrastructure needs.

The Safe Drinking Water Act establishes four categories of set-asides and sets limits on the maximum percent of the capitalization grant. States may reserve up to 31 percent of each year’s capitalization grant for set-aside activities. The Public Drinking Water Branch administers these set-asides. Each of the set-asides and the related activities the department has funded during the time period covered by this report are discussed below.

### **Administration and Technical Assistance Set-aside (4 percent)**

The Safe Drinking Water Act allows states to use up to 4 percent of each capitalization grant for administration of the programs established under Safe Drinking Water Act §1452 (Drinking Water SRF programs) and for technical assistance to public water systems of any size. The department reserved the entire authorized 4 percent allowed for this set-aside and used it for costs of administering the loan program and providing technical assistance to public water systems through Engineering Report Services Grants subawards. Any unused amounts of the set-aside authority will be reserved for future set-aside expenditures.

Costs associated with administering the Drinking Water SRF Loan Program included paying salaries and associated expenses of program personnel administering the loan fund. In the time period covered by this report staff used this set-aside to provide assistance to applicants and loan recipients, review projects, prioritize projects, issue loans, track repayments, and perform project inspections. The department also uses this set-aside to obtain all expense and equipment which includes but is not limited to hard hats, safety goggles, boots, office supplies etc., and training needed for the adequate performance of Drinking Water SRF loan program staff.



## **Small System Technical Assistance Set-aside (2 percent)**

The Safe Drinking Water Act allows states to use up to 2 percent of each capitalization grant for technical assistance to public water systems serving 10,000 people or less. The department reserved the entire authorized 2 percent of the capitalization grant for this set-aside and used it to provide subawards to water systems for engineering reports and to reimburse water systems for previously awarded subawards for plans and specifications. Unused amounts of this set-aside authority will be reserved for future set-aside expenditures.

## **Engineering Report Services Grant Subawards**

During the time period covered by this report, the department used this set-aside to provide subawards to small communities to hire an engineer to perform a thorough evaluation and develop an engineering report for the water system. This is a first step toward implementing changes that will help the system achieve and maintain technical, managerial and financial capacity, including compliance with the National Primary Drinking Water Regulations and the Missouri public drinking water regulations. Subaward recipients must use a solicitation process to select an engineering firm. Upon proof of proper solicitation and notice of contract with an engineering firm to perform the work, the water system and the department sign an Engineering Report Services Grant Subaward agreement and a Financial Assistance Agreement.

Depending on the system's needs, recommended changes may include restructuring, regionalization, operational changes, treatment changes, infrastructure improvements, or other technical, financial, or managerial improvements.

The department has provided this assistance since 1999. The owners and operators of water systems recognize the need and value of an engineering review of their system but are often unable to afford the entire cost of obtaining the report. The department funds up to 90 percent of the cost of the report. In the case of disadvantaged communities, the entire cost of the report may be funded. Applicants are screened for technical, managerial, and financial capacity items such as having properly certified operators, possessing or on track to obtain a permit to dispense water, and payment of primacy or other required fees. Applicants with the greatest need based on priority points are the first to be selected for award.

The department has refocused this program to help very small communities, limiting those eligible to receive funding to communities with a population of less than or equal to 3,300 or those with higher populations that will provide a benefit to another community with a population of less than or equal to 3,300.

Solicitation for subawards is initiated on Jan. 1 of each year, with a deadline of April 1 each year for submission of applications. The department received applications from 38 community water systems between Jan. 1, 2017 and April 1, 2017. Subawards will be awarded to 16 systems from the 2017 round of applications and 14 systems from the 2016 round of applications. For subawards awarded prior to Jan. 1, 2017, the water system and the engineering firm had seven months from the date the subaward was signed to develop

the engineering report and submit it for review and approval by the department. These reports were received between April 7, 2017 and July 8, 2017. For subawards awarded after Jan. 1, 2017, the water system and the engineering firm have six months from the date the subawards were signed to develop the engineering report and submit it for review and approval to the department. The deadlines for these reports range from Dec. 17, 2017 to March 13, 2018.

| FFY 2017 Engineering Report Services Grant<br>Subawards Solicitation                  | Number | Amount    |
|---|--------|-----------|
| Subawards to be awarded<br>(To be expended incrementally over this and future years.) | 30     | \$653,286 |

Many water systems have utilized these subawards as the initial step in a process ultimately leading to water system improvements, including TMF improvements and infrastructure construction projects. The following table shows TMF improvement and construction projects for systems that received Engineering Report Services Grant Subawards from calendar year 2008 through calendar year 2017.

| Year         | No. of Engineering<br>Report Grant<br>Subawards Awarded<br>and Completed | No. of Construction<br>TMF Projects<br>Initiated | Percent of<br>Construction/TMF<br>Projects Initiated |
|--------------|--|--|--|
| 2008         | 26   | 18   | 69%  |
| 2009         | 18   | 7  | 39%  |
| 2009<br>ARRA | 58   | 44   | 76%  |
| 2011         | 57   | 46   | 81%  |
| 2013         | 77   | 51   | 66%  |
| 2015         | 48   | 24   | 50%  |
| 2016         | 18   | 0  | 0%   |
| 2017         | 16   | 0  | 0%   |

### Plans and Specifications Subawards

In an initiative started during state fiscal year 2014, the department provided subawards to community water systems serving populations of 10,000 or less to hire an engineer to develop plans and specifications for infrastructure improvements. This subaward helped these small systems move more quickly toward being “shovel ready” and included funding from three set-asides. The set-asides are 2 percent Small Systems Technical Assistance, 4 percent Administration and Technical Assistance, and 15 percent Local Assistance and Other State Programs, with the bulk of the funding coming from the latter.

The department provided subawards for up to 45 percent of the cost of engineering plans and specifications. Systems that applied and were eligible for a Drinking Water SRF loan also qualified for an additional 45 percent subaward. No new subawards were awarded

during the period covered by this report. However, funds are still being disbursed from the previously awarded subawards.

| <b>Phase II Plans<br/>and Specification<br/>Subawards</b> | <b>Number<br/>Awarded</b> | <b>Subaward<br/>Amount</b> |
|---|---------------------------|----------------------------|
| FFY14   | 7                         | \$909,245.25               |
| FFY15   | 15                        | \$911,536.17               |
| FFY16   | 2                         | \$186,790.50               |

#### **Public Water System Supervision Program Management Set-aside (10 percent)**

States can use up to 10 percent of each capitalization grant for the Public Water System Supervision (PWSS) program. The state must provide a one-to-one state match in order to use this set-aside. The department uses the state primacy fee to provide an in-kind match for this requirement.

The department reserved the entire 10 percent of this set-aside. The department primarily uses this set-aside to support required primacy program activities but it is also used to fund staff and activities for operator certification, capacity development, and source water protection. Capacity development activities and accomplishments are reported to EPA annually in the department's annual State Capacity Development Program Implementation Report. Operator certification activities and accomplishments are also reported to EPA in the department's annual Operator Certification Report. Any unused amounts of the set-aside authority will be reserved for future set-aside expenditures.

During the time period covered by this report the department also used this set-aside to administer an outside contract for support for the following data management systems and tools:

- The Safe Water Environmental Permit Tracking system, which is an improved permit tracking system;
- The Safe Water Information Management Reporting Tool, which uses the Safe Drinking Water Information System (SDWIS) and other databases to create management reports and violation letters as well as creating enforcement files for migration in to SDWIS;
- The Safe Water Electronic Entry Tool, which is used to import Excel files from laboratories and convert them into a SDWIS formatted Extensible Markup Language file for migration;
- The Safe Water Information Field Tool, which is an electronic sanitary survey tool; and
- The Safe Water Consumer Confidence Reports (SWCCR), which creates annual Consumer Confidence Reports for community water systems. The reports are then hosted on the department's website for water systems to adopt or modify to better facilitate electronic or other delivery to water customers.

## **Primacy Program**

This set-aside provides funding critical for the administration, implementation and enforcement of the public drinking water primacy requirement. The department uses this set-aside to support primacy program activities such as program administration, rule development, primacy applications, compliance and enforcement, inspections and sanitary surveys, information and data management, reports, record keeping and all other activities required of a primacy program. The department also uses this set-aside to administer the following outside contracts:

- Safe Drinking Water Information System (SDWIS)/State updates and maintenance for reporting to EPA; and
- Identify and evaluate impacts of emerging contaminants to help water systems prepare for new regulatory requirements.

## **Local Assistance and Other State Programs Set-aside (15 percent)**

The Safe Drinking Water Act allows states to set aside up to 15 percent of the Drinking Water SRF capitalization grant for the following activities:

- Special loan programs for source water protection;
- Technical and financial assistance to public water systems as part of a capacity development strategy; and
- Establish and implement a wellhead protection program under Section 1428 of the Safe Drinking Water Act.

For the period covered by this report, the department set aside 15 percent from the capitalization grant to support capacity development, wellhead protection and source water protection activities. The department has not established a loan program for source water protection.

Activities funded by the department with this set-aside during the time period covered by this report include the following:

- Contracting for circuit riders to provide training and technical assistance to water systems;
- Contracting for training to water district board and city council members;
- Operator certification vouchers to water systems to pay operator's training and certification costs;
- Partially funding subawards to community water systems for engineering report services;
- Subawards to community water systems that use groundwater and plug abandoned wells that may threaten the aquifer;
- Contract with University of Missouri-Columbia to develop a safe, low-cost aerial method for tank inspections using an Unmanned Aircraft System;
- Cooperative agreement with the Missouri Geological Survey for vulnerability assessment activities, casing depth determinations for public wells and updates to SDWIS;

- Subawards to community water systems for source water protection;
- Contract with the University of Missouri for maintenance of public water system source water assessment and delineation information; and
- Studies to assist small community water systems with disinfection by-product compliance issues.

## **Circuit Riders**

The department contracted with technical experts, also known as circuit riders, to assist public drinking water systems with technical, managerial, and financial (TMF) capacity efforts. In federal fiscal year 2017, circuit riders provided assistance with water loss, rate studies, treatment, disinfection, asset management, and distribution mapping. Efforts were focused primarily on systems that have difficulty obtaining resources to achieve and maintain TMF capacity. During assistance visits, circuit riders often address more than one issue at a system.

During federal fiscal year 2017, circuit riders provided 251 assistance efforts to 174 systems. Requests for circuit rider assistance with water loss and rate studies continue to outpace all other TMF capacity requests.

## **Water Loss**

Due to the high level of system interest and requests for leak detection, the department provided more water loss and leak detection efforts than any other circuit rider assistance. Water loss and leak detection visits help systems identify nonrevenue water, including real or physical losses of water as well as apparent losses (water consumed but not accounted for). Identifying and reducing nonrevenue water is a major component to achieving and maintaining TMF capacity.

In federal fiscal year 2017, using modern leak correlation equipment, the circuit rider performed 88 assistance visits and identified over 100 leaks. More than 80 percent of the leaks were promptly repaired, resulting in a savings of over 59 million gallons per month and approximately \$18,000 in electrical and chemical monthly savings that would have otherwise been incurred by production of this nonrevenue water. The cost estimate does not include such things as wear and tear on pumps, cost of equipment, labor, materials, and other customer inconvenience. Additional systems that may have repaired leaks later, although not reported, will be contacted in the future.

In addition, under the circuit rider contract, the department funded an operator certification training course titled Small Systems Water Meters, Leaks and Loss, in northeastern Missouri. The training covered various topics, including the importance of metering, tips and tricks of how to identify water leaks and loss, on-site meter testing, and introduction to and demonstration of various water loss tools available.

## **Rate Studies**

In federal fiscal year 2017, 17 systems received rate assistance. Rate assistance helps water utility personnel and management understand the necessity of rate adjustment in

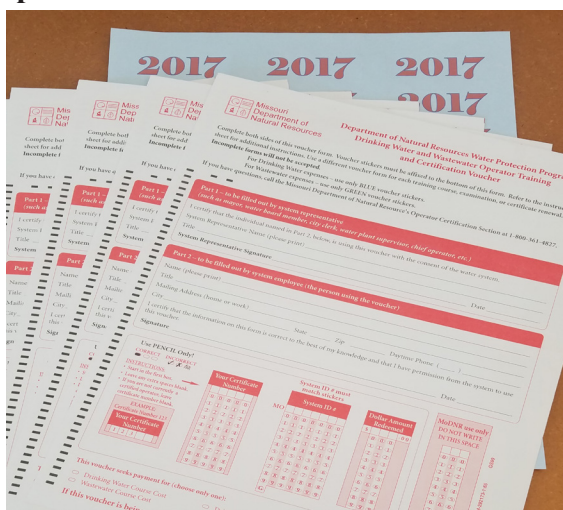


order to ensure revenues cover the expenditures of the system. Systems assisted with rate studies are also advised on budgeting, asset inventory and management, and strategic planning.

## Water Management Training Contract

The department contracted with a training and technical assistance provider to provide workshops to water district board and city council members and other community water system decision makers on the managerial and financial responsibilities of running a water system. Two water management training contracts were administered during the reporting period. The first contract spanned from Jan. 1, 2016 to Dec. 31, 2016. Under this contract, one 4-hour water management training workshop was held on Nov. 17, 2016. The second contract administered during the reporting period was awarded on June 12, 2017 with a contract period of July 1, 2017 through June 30, 2018. Under this contract one 4-hour water management training workshop was conducted on Sept. 26, 2017. A minimum of six more water management training workshops will be held under this contract in federal fiscal year 2018. Workshop topics include basic water system operations, water system legal ownership and accountability, laws, regulations, rate setting, and other business best practices.

## Operator Certification Vouchers



Since 2012 a significant use of this set-aside has been drinking water operator certification and training vouchers.

This set-aside replaced EPA's Expense Reimbursement Grant, which had been funding the voucher program from 2004 to 2012. The department issues drinking water training vouchers annually to nearly 1,500 community and nontransient noncommunity water systems serving 3,300 people or less. The vouchers can be used to pay for operator certification fees and eligible drinking water training

fees. The water system determines which of its personnel can use the vouchers, giving the systems the flexibility to manage the vouchers in a manner that best meets its needs. Vouchers can be used for renewal training of existing operators or expenses related to a new person becoming certified.

Drinking water distribution systems receive \$625 and treatment systems receive \$950 in voucher funds. The amount of funds allocated to each system is determined by the system's classification (distribution or treatment). A system's specific classification is based on several factors, including population, complexity of treatment, and type of source water. The system classification also determines the level of certification required for the chief operator.

In the time period covered by this report, 904 certified operators representing 723 drinking water systems have used vouchers. Uncertified individuals also used vouchers for training in an effort to become certified. Processed vouchers totaled \$290,667 for the time period covered by this report. The average monthly amount processed in vouchers is about \$25,000.

## **Wellhead and Source Water Protection**

The department continued funding wellhead and source water protection activities with set-asides in the time period covered by this report.

In 2008, the department began awarding subawards to community water systems to plug abandoned wells that threaten or may threaten the water system's source of supply. Abandoned wells provide a conduit for contaminants to enter groundwater. Groundwater sources supply water for about 85 percent of Missouri's community water systems. Preventing contamination before it happens through proactive activities, like plugging abandoned wells, is more cost-effective than trying to clean up an aquifer after it has been contaminated or providing additional treatment at the system. During federal fiscal year 2017, the department awarded four subawards to groundwater systems totaling \$41,000 for the proper plugging of both domestic and public water wells.

The department initiated a source water protection subaward program in 2006, with the first being awarded in 2007. Subawards provided through this program may be for groundwater protection or surface water protection. Surface water protection awards are made as part of the capacity development strategy. Awards made to groundwater systems are part of the wellhead protection program. In federal fiscal year 2017, the department awarded seven subawards to community water systems for projects that included abandoned well plugging activities, development of source water protection plans, implementation of source water protection measures, development of brochures and signage to promote awareness of sensitive well recharge and watershed areas, and activities to identify and manage aquatic invasive species. Subawards totaling \$146,200 were awarded to these projects.

## **Missouri Geological Survey**

Improperly constructed and poorly sited water wells can result in unnecessary long term expenditures for a system and, in some cases, potential contamination of the aquifer. The department's branch staff has a cooperative agreement with the Missouri Geological Survey (MGS) to ensure public water supply wells are designed and constructed in accordance with state standards. Often times, this is the first step in assisting a groundwater system in acquiring and maintaining TMF capacity. The process begins with the department's regional office performing a site survey for the proposed well location. The information collected during the survey is used by MGS staff to provide the system with well-specific construction details (i.e. estimated casing depth, estimated total depth, estimated yield, grout setting time, geologic hazards, and isolation radius for potential contaminants) before any drilling cost are incurred. During the reporting period, MGS issued 30 estimated casing depth letters to community and nontransient noncommunity systems.

Vulnerability assessment activities are also conducted through this cooperative agreement. The Public Drinking Water Branch received the state fiscal year 2017 Annual Vulnerability Assessment Report in Dec. of 2016.

### **Center for Applied Research and Environmental Systems**

The department has continued its contract with the University of Missouri's Center for Applied Research and Environmental Systems (CARES) for maintenance of public water system source water assessment and delineation information and to further refine and revise the susceptibility determination assessments that water systems can use to improve protections for the source of its drinking water. CARES maintains maps of Missouri public water systems, showing well locations, potential contamination sites, and other data. The maps and water system information is available to interested persons who know the water system's identification number. This information is used by public water system staff and the communities they serve as a foundation upon which they can develop and implement local, voluntary source water protection programs. Department staff uses this information as a general reference with respect to water system facility locations and for other site-specific locational information.

### **Disinfection By-product Monitoring and Compliance Studies**

Many Missouri public water systems are seriously struggling to comply with the Stage 2 Disinfectants and Disinfection By-product Rule. The department continued its contract with the University of Missouri Research Center to explore the causes of disinfection by-product formation at small community water systems with Stage 2 compliance issues, and to recommend solutions. Achieving compliance is difficult for small systems because formation of disinfection by-products is complicated and specific to the characteristics of each raw water source, treatment plant configuration and overall water plant operational practices.

Civil and environmental engineering staff and students from the university visit each system multiple times. Utilizing a two-phase process of extensive testing and analysis they develop recommendations for reducing disinfection by-product levels, which are unique to each participating water system. The first phase of the project, which lasts about one year, is a detailed evaluation of all aspects of the system's treatment process, including multiple testing events in various locations in the treatment process and in the distribution system. Next, research staff analyzes the data and develop recommendations for each system. A final report is presented to the water system and may include recommendations for source water management techniques, changes in treatment chemicals, changes in chemical injection locations, more robust jar testing procedures, construction of additional treatment basins, and aeration in finished water storage facilities and converting free chlorine residuals to chloramines.

Since 2012, when this initiative began, there have been 12 surface water systems and two ground water systems that have completed disinfection by-product monitoring and compliance studies. Three new systems will be asked to participate in the next year. The systems will be chosen because of their inability to consistently meet Stage 2

requirements and because of the likelihood that they will adopt the recommendations. The department receives the engineering evaluations and recommendations as well.

### **Water Storage Tank Inspections with an Unmanned Aircraft System**

Water storage tanks are one of the most vulnerable areas of a water distribution system, with respect to keeping and maintaining sanitary conditions. The most vulnerable areas (hatches, vents, overflows) cannot be seen from the ground and are often inaccessible. Tanks can be dangerous to climb and many water systems do not have qualified or insured personnel to inspect them. Also, state inspectors are prohibited from climbing towers and tanks. These finished water storage facilities play an important role in protecting the distribution system, and ultimately public health, from contamination. The integrity of these facilities is of the utmost importance, however the cost and difficulty associated with conducting an inspection of an elevated storage tank can deter some water systems from performing its due diligence.

As a result, the department and the University of Missouri – Columbia developed a safe, low-cost aerial method for tank inspections. The method uses a small unmanned aircraft system to identify obvious sanitary defects without the risk of department personnel safety. To date, the University of Missouri has performed 27 flights and identified numerous potential sanitary defects, including unlocked hatches, damaged vent screens, problems with tank overflows, damaged electrical conduit and junction boxes, holes in the tank roof, and improper hatch construction. These defects have the potential to allow insects, birds, bird droppings, rainwater, or individuals into the tanks.

The aircraft is also equipped with an infrared camera. This camera is used to evaluate the tank's exterior coating and identify the presence of thermal stratification. If left untreated, water stratification can lead to bacterial issues within a system's finished water supply.

Although this technology has proven successful, it should not replace comprehensive internal and external inspection of water storage facilities on a regular basis by trained experts in the storage tank industry. The reason being, sanitary defects on the inside of a tank cannot be viewed without removing the shroud or opening the manway hatch.

## **IX. Maintaining Drinking Water SRF Financial Assistance Programs**

The department operates a number of financial assistance programs for drinking water infrastructure.

### **Financial Assistance Programs**

#### **Direct Loans**

The Drinking Water SRF Direct Loan program is the primary financial tool used by the department to fund public drinking water improvements. For the 2017 reporting period, the department reserved 69 percent of the annual capitalization grant for direct loans and grants (grants are discussed in the next paragraph). The subsidy rate for all loans awarded

during this reporting period was 70 percent of the market interest rate. In this reporting period, the department awarded \$19,051,000 of direct loans to eight different drinking water systems. These loans all have a 20 year term.

## **Grants**

For federal fiscal year 2017, the Drinking Water SRF capitalization grant requires that at least 20 percent of the capitalization grant be used to provide additional subsidization to eligible recipients. For this reporting period, the department reserved \$3,327,400 of the capitalization grant for additional subsidies in the form of Drinking Water SRF grants. Drinking Water SRF grant funds were awarded to eligible, non-disadvantaged communities' projects through a combination of up to 50 percent grant and a direct loan for the remaining project amount, with a maximum grant of \$2 million per applicant. The department offered a higher percentage grant for disadvantaged communities. A disadvantaged community is any community with a population of less than 3,300, whose user rates will be at or above 2 percent of the recipient median household income and the recipient median household income is at or below 75 percent of the state average as determined by the most recent decennial census. Projects for a disadvantaged community may be funded through a combination of up to 75 percent grant and 25 percent loan with a maximum grant of \$2 million per applicant. In this reporting period, the department awarded \$6,482,878 of grants to five different drinking water systems.

## **Order of Priority for Distribution of Loan and Grant Funds**

For this reporting period, the department developed written criteria to prioritize the ranking of projects for loans and grants so that the most serious problems were given the highest priority. Consistent with the Federal Safe Drinking Water Act, priorities are based on protection of public health, compliance and household affordability. The Missouri Safe Drinking Water Commission approves the criteria after public review. Further, it continued to be the department's intention to provide priority of financial assistance to communities that could not otherwise afford conventional financing. To meet this goal the department used the following criteria listed in order of priority:

- 1) Projects serving disadvantaged communities on any fundable list based on priority ranking in the order of highest ranking;
- 2) Projects on the Very Small Community 20 percent Reserve Fundable List based on priority ranking;
- 3) Projects on the Small Community 15 percent Reserve Fundable List based on priority ranking; and
- 4) Projects on the General Community 65 percent Reserve Fundable List based on priority ranking.

Available capitalization grant funds, state match revenues, interest earned and grant funds for this reporting period were allocated to projects according to priority ranking.



## **Project Reviews**

The initial deadline date for receipt of new projects for Missouri's Drinking Water SRF Loan program for 2017 was Feb. 15, 2016. To maximize the use of available funds, applications are accepted all year round.

Initially, the department reviews all applications to determine if the proposed project is an eligible activity and the applicant meets the financial requirements. Eligible projects are then priority ranked as described above and included in the state's Intended Use Plan. Before loan closing, the department will review the applicant's financial capacity, engineering documents, environmental documents, contracts and ordinances for compliance with state and federal requirements.

Section 640.107 of the Missouri Safe Drinking Water statute requires that eligible projects for Drinking Water SRF loans for systems serving less than 10,000 people shall be given priority consideration for no less than 35 percent of the available funds. The statute further states that eligible projects for loans for systems that serve 3,300 people or less are given priority consideration for at least 20 percent of the total available loan money.

The department received its first Drinking Water SRF funds in federal fiscal year 1997. This included both the 1996 and 1997 capitalization grants, which were made available for applications received in state fiscal year 1998. The subsidy rate for Drinking Water SRF loans has changed over the years from 33.3 percent during 1998 through 2001, 50 percent during 2002 through 2003 and has remained constant at 70 percent from 2004 through 2017. In this reporting period, the department awarded eight direct loans and five grants to eight water systems for a total amount of \$25,533,878. Of the total amount for 2017, all 100 percent of the grant and loan funds went to systems serving populations of less than 10,000.

As of the end of the 2017 reporting period, the department has awarded a cumulative total of 143 drinking water loans and 50 grants to 114 different community public water supply systems for a total of \$461,885,594. Of the 193 loans and grants awarded, 110 loans and 45 grants were awarded to water systems serving populations of less than 10,000. These 155 loans and grants totaled \$209,019,094 or approximately 45 percent of the total. Therefore, the amount of the SRF loan program funds awarded to systems serving less than 10,000 is above the minimum 35 percent required by the Missouri Safe Drinking Water Act, and well above the 15 percent minimum required by Federal Safe Drinking Water Act. Exhibit 1 summarizes the leveraged and direct loans awarded since the beginning of the program.

Each loan recipient is an eligible community water system. Projects included expenditures of a type that facilitate compliance with the Safe Drinking Water Act and advance the public health purposes of the Safe Drinking Water Act.

The following table summarizes the loans awarded in this reporting period, including the need category related to each project.

| <b>Drinking Water SRF Loans Awarded in the 2017 Reporting Period</b> |  |                    |           |         |                               |       |
|--|--|--------------------|-----------|---------|-------------------------------|-------|
|  | Amount Awarded                           | Project Categories |           |         |                               |       |
|  |  | Source             | Treatment | Storage | Transmission/<br>Distribution | Other |
| Lathrop  | Loan: \$931,000<br>Grant: \$930,710      |                    |           | X       | X                             |       |
| Sunrise Beach  | Loan: \$315,000<br>Grant: \$865,343      | X                  |           |         | X                             |       |
| Harrisonville  | Loan: \$9,544,000                        |                    | X         |         |                               |       |
| Birch Tree   | Loan: \$738,000<br>Grant: \$1,856,325    | X                  | X         |         | X                             |       |
| Reeds Spring   | Loan: \$434,000<br>Grant: \$934,500      |                    |           |         | X                             |       |
| Sparta   | Loan: \$1,896,000<br>Grant: \$1,896,000  | X                  |           | X       | X                             |       |
| Jackson Co PWSD #13  | Loan: \$3,000,000                        |                    |           |         | X                             |       |
| Scotland Co<br>Consolidated PWSD #1                                  | Loan: \$2,193,000                        |                    |           |         | X                             |       |
| Total for 2017   | Loan: \$19,051,000<br>Grant: \$6,482,878 |                    |           |         |                               |       |

The following table provides a description of Drinking Water SRF projects awarded in this reporting period.

| <b>Drinking Water SRF Projects Approved in the 2017 Reporting Period</b> |   |
|--|---|
| <b>Water System Name<br/>Award Amount</b>                                | <b>Project Description</b>  |
| Lathrop<br>\$1,861,710   | The project includes the installation of approximately 18,540 feet of six-inch and 5,260 feet of eight-inch polyvinyl chloride (PVC) and all the necessary appurtenances for a fully functional water distribution system. The tank painting and improvements will include the repainting of the existing 300,000 gallon elevated storage tank, adding a flap valve on the overflow, and adding a mixing system to the tank.  |
| Sunrise Beach<br>\$1,180,343   | The project consists of three components: 1) The installation of approximately 18,500 feet of PVC pipe of various diameters, gate valves, hydrants, service connection meters, pressure reducing valves, and other appurtenances necessary to provide safe water to several unserved areas that have recently been annexed into the village. The areas to be served include the Cliff Drive/Beachwood Road/Kansas City Way area, Castle Garden Road, and Ambrosia Lane and will result in the connection of approximately 108 residential customers. 2) Improvement to Standpipe number 1 which includes replacing the top vent of the standpipe. 3) The installation of piping, wiring, and mounting devices to enable wireless monitoring of various equipment operations at the two existing well house buildings. The work also includes the installation of a new chlorine analyzer at each well house building. |
| Harrisonville<br>\$9,544,000   | Water treatment plant improvements include the installation of a new ozone system and updates to existing chemical feed systems, all of which will be located in a new ozone building. A rapid mixer, package high service pump station, wet well, outdoor bulk chemical storage areas, yard piping, emergency diesel-fueled electric generator, and site electrical system updates will also be constructed or installed. The project includes the removal and replacement of the existing clarifier basin equipment, demolition of the existing rapid mix structure, site improvements, and repairs to the existing filter building.  |
| Birch Tree<br>\$2,594,325  | The project includes the addition and replacement of approximately 9.5 miles of various diameter PVC pipe of existing water lines, valves, hydrants, meters, and other appurtenances necessary for a fully functional distribution system. It also includes the replacement of well number 2 pump and motor and the replacement of the gas chlorination system with liquid chlorination. The project also includes refinancing the exterior painting of tank number 2.  |

|                                    |  |
|------------------------------------|--|
| Jackson Co PWSD #13<br>\$3,000,000 | The project includes the installation of approximately 21,500 feet of 12 inch PVC water mains, valves, hydrants, service connections, and other appurtenances that are necessary to complete the project.  |
| Reeds Spring<br>\$1,368,500        | The improvements to the Reeds Spring water system include the installation of approximately 24,000 feet of PVC pipe of various diameters, isolating gate valves, hydrants, service connections, meters, and other appurtenances necessary for a fully functional distribution system. The PVC pipe installation primarily replaces existing water mains but also includes some new water mains for looping. The project also includes the renovation of the housing for well nos. 1 and 2, provision of fencing of well number 1, provision of emergency stand-by power for well number 3, replacement of two pressure reducing valve stations, and installation of a supervisory control and data acquisition system to help monitor the water system.  |
| Sparta<br>\$3,792,000              | The project includes the addition and replacement of approximately 2,100 feet of 12-inch diameter water main, 13,700 feet of eight-inch diameter water main and 8,200 feet of six-inch diameter water main and all necessary appurtenances to complete the project and have a more reliable system. In addition, the proposed project will include the replacement of faulty valves and hydrants. It also includes the addition of a new well and well house capable of producing approximately 400 gallons per minute. This well will have liquid chlorine disinfection in the well house and standby power. The new well will be located southwest of State Route 125 and Farmer Lane intersection adjacent to the Sparta Elementary School. The well will be located adjacent to the proposed elevated storage tank and have a depth of 1,300 feet to 1,700 feet. Casing provided will at least have a depth of 525 feet. The existing wells will have the telemetry updated. Transfer switches will be added to well number 2 for connection of emergency power. Finally, the project includes the addition of a new 300,000 gallon elevated storage tank. The storage tank will be approximately 140 feet in height and have separate fill and outlet pipes which will support in-tank circulation. The tank will be located next to the new proposed well. The proposed project will also include the rehabilitation to the existing 100,000 gallon elevated storage tank. |
| Scotland Co PWSD #1<br>\$2,193,000 | The improvements to Scotland County Consolidated PWSD #1 include the following: 1) The installation of approximately 72,000 feet of eight inch PVC pipe to run parallel to an existing six inch main from the Iowa Line pump station to the 200,000 gallon elevated water tower. Valves, cleanouts, and other appurtenances necessary for pipeline construction are also included. The Iowa Line pump station will be upgraded with two new pumps and variable frequency drives. 2) The installation of approximately 1,350 meters equipped with remote read transmitters. A meter reading software system will be included as part of the contract. Other appurtenances necessary for water meter installation are also included. 3) A water connection fee of \$270,000 for the amended water purchase contract with Rathbun Regional Water Association.   |

## **X. EPA Recommendations on Performance Evaluation Report/Annual Program Review**

Staff from EPA Region 7 conducted an on-site program evaluation of the federal fiscal year 2016 Drinking Water SRF program on June 20 through June 22, 2017. The final program evaluation report for the SRF program included the following recommendations and observations:

- 1) With the exception of the timing of the receipt of the 2015 and 2016 annual reports, Missouri is in compliance with the rules and regulations of the SRF program.
- 2) EPA commends MoDNR for their continuing success in addressing ULO in accordance with the Memo *DWSRF Unliquidated Obligations (ULO) Reduction Strategy* (April 14, 2014). EPA notes the improved set-aside spending rate (a past performance issue). Not only did the state improve, but passed the national average.
- 3) Annual Reports are due by Dec. 31 of each year. EPA looks forward to receiving the 2017 Annual Report by Dec. 31, 2017, or an explanation for any delay and a new projected submittal date.
- 4) MoDNR's progress this past year to address staffing deficiencies resulted in improvement in a number of the program implementation elements of Missouri's SRF programs.
- 5) An example of MoDNR's continued commitment to the development of their SRF staff may be seen by the attendance of 17 staff combined for the CWSRF and DWSRF Training provided by EPA Headquarters on July 17-19, 2017, at EPA Region 7.
- 6) MoDNR has met the Federal Funding Accountability and Transparency Act (FFATA) requirement for this and prior reporting periods.
- 7) Missouri recognizes the need to submit timely audit reports. The next audit contract, which is administered by MoDNR's Internal Audit Program, has a deliverable schedule to help get the SRFs audit reports timely. GASB 68 added to the delay in the 2015 audit submittal.
- 8) Region 7 will share outcomes of the upcoming sustainability (internal) training and appreciates MoDNR's participation on the national workgroup.
- 9) The discussion in the annual report on set-asides continues to be very good. The local assistance and other state programs section was particularly effective in showing detailed accomplishments and outcomes. We continue to encourage this level of detail in this category and others in future reports.
- 10) MoDNR's files continue to be well documented. No improper payments were found during the cash draw transaction testing.



- 11) EPA appreciates the additional detail for green project reserve and additional subsidy in the annual report.
- 12) EPA acknowledges MoDNR's continued assistance with grant closeouts. We look forward to hearing an update regarding MoDNR's disbursement of the remaining amount of additional subsidy so that we may close the 2011 grant as soon as possible.

## **XI. Proposed Improvements**

The department's Financial Assistance Center intends to continue efforts to market and communicate the benefits of the Drinking Water SRF program. The department expects to look at some of the administrative processes within the Drinking Water SRF program to streamline reviews and improve customer service.

## **XII. Policy Summary**

The department has implemented regulations and policies to ensure the long term fiscal health of the Drinking Water SRF, attain and maintain compliance with the Safe Drinking Water Act and carry out other provisions of the law. The department protects the financial health of the Drinking Water SRF by reviewing the creditworthiness of applicants, attaining proper surety and cross-collateralization.

- Water Protection Program's Financial Assistance Center and the Environmental Improvement and Energy Resources Authority review the creditworthiness of applicants to make sure they can safely meet their obligations in the loan program.
- As a form of surety, publicly-owned entities must offer revenue or general obligation bonds. Privately-owned entities may offer other appropriate forms of surety. To date, the department has not entered into loan agreements with privately-owned systems.
- The Drinking Water SRF is cross-collateralized with the Clean Water SRF as authorized by federal (P.L. 105-66) and state law (section 644.122, RSMo).

The department attains and maintains compliance with the Safe Drinking Water Act by setting priorities and reviewing projects.

- As previously addressed, priorities for projects funded through the loan program are approved annually by the Safe Drinking Water Commission after public review. The resulting criteria express priorities as a point system by which the department ranks loan applicants. The department awards points to projects that address Safe Drinking Water Act compliance, public health, affordability on a per household basis and security issues.

- The department reviews all applicants for eligibility and assigns priority points before issuing its Intended Use Plan. Before loan closing, the department will review the applicant's engineering documents, environmental documents, contracts, creditworthiness, bond covenants and ordinances for compliance with state and federal requirements.

The department's review achieves other purposes of the law by providing technical assistance and coordinating with other funding programs.

- The funding order of projects may not be identical to the fundable priority ranking in the annual Intended Use Plan. Readiness to proceed is an important factor; however, the general order of project ranking will be followed to the extent a project's sponsor progresses to a binding commitment. The department encourages projects to proceed in a timely manner.
- The department, with approval of the Safe Drinking Water Commission, may by-pass any project on the fundable priority list that is not, in the opinion of the department, making satisfactory progress toward satisfying requirements for Drinking Water SRF assistance. Rules governing by-pass procedures appear in 10 CSR 60-13.020(3)(A).

Any project on the fundable priority list may be bypassed if the applicant fails to submit the documents required for Drinking Water SRF assistance at least 60 days prior to the beginning of the quarter for which the assistance is anticipated. Furthermore, the department may develop schedules to determine whether a Drinking Water SRF project is making satisfactory progress. A project may be bypassed for failure to meet the schedule.

A project that is bypassed will be removed from the fundable priority list, and if the application is still valid, will be placed on a project list, in priority order, for funding consideration in the next federal fiscal year.

- The department uses authorized set-asides to fund staff that provide technical assistance related to Safe Drinking Water Act compliance and the technical, managerial and financial capacity of water systems.
- The department coordinates with other agencies that fund water system improvements including the Missouri Department of Economic Development, which operates the Community Development Block Grants Program, and the U.S. Department of Agriculture Rural Development. The department is continuing to try to address the needs of disadvantaged communities by supplementing Drinking Water SRF loans with other sources of funding.

### **XIII. State Environmental Review Process**

The department has reviewed each project funded by a binding commitment during the reporting period according to the state environmental review process described in 10 CSR 60-13.030. It has issued a categorical exclusion or findings of no significant impact for each project.

## **XIV. State Match**

In accordance with federal Safe Drinking Water statutes, states are required to provide a match equal to 20 percent of the total capitalization grant. Each state must deposit its match on or before the date of the grant payment. Further, it must make binding commitments equal to the grant minus set-asides plus match within one year of receiving the grant payment, except for the grant of federal fiscal year 1997. Through state fiscal year 2003, the department used general revenue funds to provide the required 20 percent match.

Beginning in state fiscal year 2004, state match was provided through the proceeds of the sale of Environmental Improvement and Energy Resources Authority bonds. Environmental Improvement and Energy Resources Authority bonds are sold to generate 100 percent of the project costs and an appropriate percentage of those bonds are clearly identified as state match. The department submitted to the EPA for approval an amendment to the Drinking Water SRF Operating Agreement (by and between the department and the EPA), to allow the use of the state match bonds. The department received approval for the change on Oct. 28, 2003, and used this approach for providing state match in 2014.

In 2007 and 2002, the state of Missouri issued general obligations bonds for infrastructure projects to improve water quality throughout the state. Of this, \$7,085,241 was distributed as rural water grants for use as state match.

During this reporting period, \$3,356,200 in state match was provided from the administration fee fund and was disbursed through the pay request process.

## **XV. Details of Activities**

### **Drinking Water SRF Regulations**

The department, through the Safe Drinking Water Commission, promulgated all necessary regulations for the Drinking Water SRF loan fund as of April 30, 1999. The rules were amended in 2001 and 2009 to include ARRA provisions.

## 2017 Binding Commitments

Exhibit 1 is a complete binding commitment list. The following table lists the projects that began construction during the 2017 reporting period.

| 2017 Project Construction Start Dates |             |                         |              |
|---------------------------------------|-------------|-------------------------|--------------|
| Name                                  | Project #   | Construction Start Date | Award Amount |
| Birch Tree                            | DW291350-01 | 02/20/2017              | \$2,594,325  |
| Harrisonville                         | DW291356-01 | 02/15/2017              | \$9,544,000  |
| Jackson County PWSD #13               | DW291336-01 | 09/10/2017              | \$3,000,000  |
| Lathrop                               | DW291195-03 | 01/10/2017              | \$1,861,710  |
| Reeds Spring                          | DW291348-01 | 04/03/2017              | \$1,368,500  |
| Sparta                                | DW291277-02 | 07/11/2017              | \$3,792,000  |
| Sunrise Beach                         | DW291219-02 | 02/06/2017              | \$1,180,343  |

## Cash Draw Ratio (Proportionality)

Missouri used “cash flow” direct loans for the Drinking Water SRF program during the 2017 reporting period. The federal capitalization grant was not used as security for the state match bonds. In this reporting period, the state match funds for the Drinking Water capitalization grant were utilized first before drawing any federal funds from that grant. Once state match funds were utilized, the cash draws were 100 percent federal funds. With taking the state match funds into consideration, the cash draw ratio was 83.33 percent federal funds and 16.67 percent state match. This process followed EPA memorandum, Clarification of Cash Draw Rules for Leveraged SRF programs (Aug. 26, 2011).

## Green Project Reserve

The costs associated with green project reserve components have been applied to the federal fiscal year 10 and federal fiscal year 11 capitalization grants; however, the federal fiscal year 11 capitalization grant was the last year green project reserve was required, as shown in the following table. Green project reserve was not a grant requirement in subsequent capitalization grants.

| Federal Fiscal Year | GPR Requirement | GPR Awarded |
|---------------------|-----------------|-------------|
| 2010                | \$5,246,800     | \$5,246,800 |
| 2011                | \$3,640,800     | \$3,640,800 |

The following projects were identified to have green project reserve components and the associated costs which were applied towards the federal fiscal year 2010 capitalization grant green project reserve requirement.

| Project ID  | Recipient Name          | Loan Date  | Loan Amount  | GPR Amount  | Water Efficiency |
|-------------|-------------------------|------------|--------------|-------------|------------------|
| DW291228-01 | Barry County<br>PWSD #2 | 06/22/2011 | \$ 564,000   | \$ 419,925  | \$ 419,925       |
| DW291234-01 | City of Clarksburg      | 10/05/2011 | 748,000      | 458,762     | 458,762          |
| DW291308-01 | City of Neosho          | 12/19/2011 | 9,425,000    | 2,030,200   | 2,030,200        |
| DW295258-01 | City of Desloge         | 09/27/2012 | 1,564,000    | 1,564,000   | 1,564,000        |
| DW291293-01 | City of Warsaw          | 11/28/2012 | 1,478,000    | 773,913     | 773,913          |
|             | Total                   |            | \$13,779,000 | \$5,246,800 | \$5,246,800      |

The following projects were identified to have green project reserve components and the associated costs, which were applied towards the federal fiscal year 2011 capitalization grant green project reserve requirement.

| Project ID  | Recipient Name               | Loan Date  | Loan Amount | GPR Amount  | Water Efficiency |
|-------------|------------------------------|------------|-------------|-------------|------------------|
| DW291293-01 | City of Warsaw               | 11/28/2012 | \$1,478,000 | \$ 704,087  | \$ 704,087       |
| DW291322-01 | Jefferson County<br>PWSD #8  | 11/29/2012 | 520,000     | 520,000     | 520,000          |
| DW291162-04 | City of Linn                 | 01/30/2013 | 2,260,620   | 943,128     | 943,128          |
| DW291324-01 | Jefferson County<br>PWSD #12 | 05/22/2013 | 1,732,000   | 1,473,585   | 1,473,585        |
|             | Total                        |            | \$5,990,620 | \$3,640,800 | \$3,640,800      |

### Additional Subsidy

The following table lists the additional subsidy requirements for each drinking water capitalization grant and the progress towards meeting the requirements.

| Federal Fiscal Year | Minimum Required | Maximum Allowed | Planned Amount | Awarded      |
|---------------------|------------------|-----------------|----------------|--------------|
| 2010                | \$5,430,438      | \$18,101,460    | 7,870,200      | \$7,870,200  |
| 2011                | 5,461,200        | unspecified     | 5,461,200      | 5,574,417    |
| 2012                | 3,469,600        | 5,204,400       | 5,204,400      | 5,204,400    |
| 2013                | 3,255,400        | 4,883,100       | 4,883,100      | 4,769,883    |
| 2014                | 3,571,000        | 5,356,500       | 3,828,073      | 3,828,073    |
| 2015                | 3,547,600        | 5,321,400       | 3,547,600      | 701,269      |
| 2016                | 3,356,200        | 3,356,200       | 3,356,200      | 0            |
| 2017                | 3,327,400        | 3,327,400       | 3,327,400      | 0            |
| Total               | \$31,418,838     | \$45,550,460    | \$37,478,173   | \$27,948,242 |

The department has issued additional subsidization in an amount to meet the requirements of the federal fiscal year 2010 – 2014 capitalization grants. The following table lists the recipients who have been awarded additional subsidization. All these awards were made in the form of grants.

| <b>Recipient</b>                 | <b>Amount Awarded</b> | <b>Award Date</b> |
|----------------------------------|-----------------------|-------------------|
| Barry County PWSD #2             | \$282,000             | 06/22/2011        |
| Osage County PWSD #3             | \$693,000             | 07/21/2011        |
| Cass County PWSD #10             | \$333,684             | 09/30/2011        |
| City of Clarksburg               | \$340,000             | 10/05/2011        |
| Cass County PWSD #11             | \$534,000             | 06/06/2012        |
| Platte County PWSD #3            | \$1,028,000           | 06/12/2012        |
| City of Rogersville              | \$559,113             | 08/24/2012        |
| Jefferson County Water Authority | \$751,000             | 09/06/2012        |
| City of Poplar Bluff             | \$1,324,000           | 09/07/2012        |
| City of Desloge                  | \$782,000             | 10/04/2012        |
| Jefferson County PWSD #8         | \$260,000             | 12/06/2012        |
| City of Warsaw                   | \$739,000             | 12/20/2012        |
| City of Linn                     | \$1,117,620           | 02/22/2013        |
| Jefferson County PWSD #12        | \$866,000             | 05/22/2013        |
| City of Cameron                  | \$490,500             | 07/15/2013        |
| Jackson County PWSD #16          | \$1,500,000           | 08/15/2013        |
| City of Monett                   | \$2,000,000           | 09/16/2013        |
| DeKalb County PWSD #1            | \$407,751             | 08/19/2014        |
| Auxvasse                         | \$1,110,685           | 09/30/2014        |
| Lathrop                          | \$1,248,000           | 10/08/2014        |
| California                       | \$1,601,000           | 10/16/2014        |
| Audrain PWSD #1                  | \$163,028             | 09/22/2015        |
| Jackson County PWSD #16          | \$702,750             | 09/28/2015        |
| Platte County PWSD #1            | \$647,946             | 10/15/2015        |
| Bonne Terre                      | \$1,984,287           | 11/18/2015        |
| Lathrop                          | \$930,710             | 12/01/2016        |
| Sunrise Beach                    | \$865,343             | 12/19/2016        |
| Birch Tree                       | \$1,856,325           | 01/24/2017        |
| Reeds Spring                     | \$934,500             | 03/09/2017        |
| Sparta                           | \$1,896,000           | 06/27/2017        |
| <b>Total</b>                     | <b>\$27,948,242</b>   |                   |

Three of the five communities who received grant funding in this reporting period were disadvantaged communities, and the projects for the other two communities met the repair, replacement, and upgrade of infrastructure in existing communities' sustainability criteria.



## Federal Funding Accountability and Transparency Act (FFATA) and Equivalency

The following tables list the grant awards that were reported in the Federal FFATA Subaward Reporting System as of Sept. 30, 2017 and these awards have been designated as fulfilling FFATA and equivalency requirements.

| FFATA Subaward List               |                             |                                   |                           |
|-----------------------------------|-----------------------------|-----------------------------------|---------------------------|
| Drinking Water CAP Grant Year     | Project Number              | Recipient                         | FFATA Subaward Obligation |
| FFY2010                           | ER12-DWSA-MO6010303         | City of Gerald                    | \$42,300                  |
| FFY2010                           | ER12-DWSA-MO4010087         | City of Bonne Terre               | 58,068                    |
| FFY2010                           | ER12-DWSA-MO2010344         | City of Hannibal                  | 58,068                    |
| FFY2010                           | ER12-DWSA-MO2020421         | Village of Stoutsville            | 98,800                    |
| FFY2010                           | ER-12-DWSA-MO6010276        | City of Festus                    | 96,200                    |
| FFY2010                           | ER12-DWSA-MO1024118         | City of Harrisonville PWSD No 9   | 25,110                    |
| FFY2010                           | ER12-DWSA-MO6010213         | City of Desoto                    | 36,750                    |
| FFY2010                           | ER12-DWSA-MO2021537         | North Central Missouri-Milan      | 150,000                   |
| FFY2010                           | ER12-DWSA-MO6010801         | City of Union                     | 49,880                    |
| FFY2010                           | ER12-DWSA-MO4010404         | City of Jackson                   | 26,910                    |
| FFY2010                           | WS12-DWSA-MO4010501         | City of Marquand                  | 30,600                    |
| FFY2010                           | ER12-DWSA-MO4010710         | City of Sainte Genevieve          | 104,300                   |
| FFY2010                           | ER12-DWSA-MO3024055         | Consol. Public Water-Columbia     | 97,600                    |
| FFY2010                           | ER12-DWSA-MO1024156-1024154 | City of Lathrop                   | 46,085                    |
| FFY2010                           | DW291228-01                 | Barry County Water Supply Dist. 2 | 564,000                   |
| FFY2010                           | ER12-DWSA-MO2024572         | PWSD 1 of Shelby County           | 50,600                    |
| FFY2010                           | ER12-DWSA-MO5024618         | Vernon County PWSD 1              | 47,460                    |
| FFY2010                           | DW291243-01                 | Meadville                         | 622,700                   |
| FFY2010                           | DW291245-02                 | City of Adrian                    | 343,200                   |
| FFY2010                           | DW291233-01                 | City of Chilhowee                 | 585,000                   |
| FFY2010                           | DW291282-02                 | City of Stockton                  | 860,000                   |
| FFY2010                           | DW291249-02                 | Cass County PWSD 10               | 1,035,684                 |
| FFY2010                           | DW291234-01                 | City of Clarksburg                | 748,000                   |
| FFY2010                           | DW291308-01                 | City of Neosho                    | 9,425,000                 |
| FFY2010                           | DW291313-01                 | Cass County PWSD 11               | 1,068,000                 |
| FFY2010                           | DW291315-01                 | Platte County PWSD 3              | 1,164,000                 |
| FFY2010                           | DW291310-01                 | Jefferson County Water Authority  | 1,502,000                 |
| FFY2010                           | DW291204-02                 | City of Poplar Bluff              | 1,256,571                 |
| FFY2010                           | DW291327-01                 | Monett                            | 1,241,113                 |
| <b>FFY2010 Award \$21,434,000</b> |                             |                                   | <b>\$21,434,000</b>       |

| FFATA Subaward List               |                        |                                  |                           |
|-----------------------------------|------------------------|----------------------------------|---------------------------|
| Drinking Water CAP Grant Year     | Project Number         | Recipient                        | FFATA Subaward Obligation |
| FFY2011                           | ER14-DWSA-MO1010464    | City of Lexington                | \$73,500                  |
| FFY2011                           | ER14-DWSA-MO4021311    | Wappapello PWSD 4                | 28,000                    |
| FFY2011                           | ER14-DWSA-MO3024052    | Boone County PWSD 4              | 36,900                    |
| FFY2011                           | ER14-DWSA-MO5024228    | Greene County PWSD 1             | 33,750                    |
| FFY2011                           | ER14-DWSA-MO5010331    | City of Greenfield               | 27,000                    |
| FFY2011                           | ER14-DWSA-MO6024214    | Franklin County PWSD 4           | 28,000                    |
| FFY2011                           | ER14-DWSA-MO30104411   | City of Lake Ozark               | 43,200                    |
| FFY2011                           | ER14-DWSA-MO4010636    | City of Perryville               | 72,100                    |
| FFY2011                           | ER14-DWSA-MO1024309    | Warrensburg PWSD                 | 41,200                    |
| FFY2011                           | ER14-DWSA-MO6071352    | Jefferson County Water Authority | 60,310                    |
| FFY2011                           | ER14-DWSA-MO6024213    | Franklin County PWSD 3           | 32,500                    |
| FFY2011                           | ER14-DWSA-MO4021311    | Wayne & Butler Counties          | 28,000                    |
| FFY2011                           | COOPERATIVE AGREEMENT  | University of Missouri System    | 159,871                   |
| FFY2011                           | ER14-DWSA-MO2024594    | Sullivan County PWSD 1           | 47,200                    |
| FFY2011                           | ER14-DWSA-MO5010331    | City of Greenfield               | 27,000                    |
| FFY2011                           | ER14-DWSA-MO4021532    | Cape Girardeau County            | 26,813                    |
| FFY2011                           | ER14-DWSA-MO6010659    | City of Potosi                   | 40,500                    |
| FFY2011                           | ER14-DWSA-MO2024565    | Scotland County                  | 28,000                    |
| FFY2011                           | DW291216-01            | Osage Co PWSD 3                  | 1,386,000                 |
| FFY2011                           | DW291204-02            | City of Poplar Bluff             | 1,391,429                 |
| FFY2011                           | DW291276-01            | Rogersville                      | 1,241,113                 |
| FFY2011                           | DW295258-01            | Desloge                          | 1,564,000                 |
| FFY2011                           | DW291322-01            | Jefferson Co PWSD 8              | 520,000                   |
| FFY2011                           | DW291293-01            | Warsaw                           | 1,478,000                 |
| FFY2011                           | DW291162-04            | Linn                             | 2,260,620                 |
| FFY2011                           | DW291324-01            | Jefferson County PWSD 12         | 1,732,000                 |
| FFY2011                           | DW291331-01            | Tipton                           | 606,600                   |
| FFY2011                           | DW291193-04            | City of Cameron                  | 1,106,500                 |
| FFY2011                           | DW291319-01            | Jackson Co PWSD 16               | 3,000,000                 |
| FFY2011                           | DW291327-01            | Monett                           | 1,009,497                 |
| <b>FFY2011 Award \$18,129,603</b> |                        |                                  | <b>\$18,129,603</b>       |
| FFY2012                           | SWPDI15-DWSA-MO4010853 | City of West Plains Water Plant  | \$25,000                  |
| FFY2012                           | SWPDI15-DWSA-MO3011367 | City of Osage Beach              | 25,000                    |
| FFY2012                           | NONE                   | University of Missouri System    | 99,928                    |
| FFY2012                           | DW291327-01            | Monett                           | 6,641,557                 |
| FFY2012                           | DW291314-02            | Belton                           | 1,774,517                 |
| FFY2012                           | DW291341-01            | Dekalb County PWSD               | 830,751                   |
| FFY2012                           | DW291222-03            | Auxvasse                         | 2,105,685                 |
| FFY2012                           | DW291328-01            | California                       | 3,202,000                 |
| FFY2012                           | DW291195-02            | Lathrop                          | 2,506,000                 |
| FFY2012                           | DW291315-02            | Platte County PWSD 3             | 137,563                   |
| <b>FFY2012 Award \$17,348,000</b> |                        |                                  | <b>\$17,348,001</b>       |

| FFATA Subaward List               |                               |                               |                           |
|-----------------------------------|-------------------------------|-------------------------------|---------------------------|
| Drinking Water CAP Grant Year     | Project Number                | Recipient                     | FFATA Subaward Obligation |
| FFY2013                           | DS14-DWSA-MO5010641           | City of Pierce City           | \$35,667                  |
| FFY2013                           | DS14-DWSA-MO4010072           | City of Birch Tree            | 165,000                   |
| FFY2013                           | AWP16-DWSA-MO1010098          | City of Braymer               | 49,000                    |
| FFY2013                           | DS14-DWSA-MO4010132           | City of Campbell              | 53,500                    |
| FFY2013                           | DS14-DWSA-MO6010213           | City of Desoto                | 27,677                    |
| FFY2013                           | DS14-DWSA-MO4010290           | City of Fredericktown         | 159,320                   |
| FFY2013                           | COOPERATIVE AGREEMENT         | University of Missouri System | 121,062                   |
| FFY2013                           | ER15-DWSA-MO1021304           | Oregon PWSD                   | 40,500                    |
| FFY2013                           | DS14-DWSA-MO2010097           | City of Brashear              | 33,300                    |
| FFY2013                           | ER15-DWSA-MO1010682           | City of Rich Hill             | 45,416                    |
| FFY2013                           | DS14-DWSA-MO2010097           | City of Brashear              | 66,600                    |
| FFY2013                           | DS14-DWSA-MO4010290           | City of Fredericktown         | 318,640                   |
| FFY2013                           | ER15-DWSA-MO5024423           | Newton County PWSD 1          | 36,000                    |
| FFY2013                           | DS14-DWSA-MO5024591           | Mo-Ark Water Company          | 81,000                    |
| FFY2013                           | SWPD16-DWSA-MO5010754         | City Utilities of Springfield | 27,200                    |
| FFY2013                           | SWPDI15-DWSA-MO1010349        | City of Harrisonville         | 25,000                    |
| FFY2013                           | DW291315-02                   | Platte County PWSD 3          | 754,437                   |
| FFY2013                           | DW291304-02                   | Audrain PWSD 1                | 327,028                   |
| FFY2013                           | DW291314-03                   | Belton                        | 2,718,000                 |
| FFY2013                           | DW291319-03                   | Jackson Co PWSD 16            | 1,413,750                 |
| FFY2013                           | DW291335-01                   | Platte County PWSD 1          | 1,796,946                 |
| FFY2013                           | DW291343-01                   | Bonne Terre                   | 3,969,287                 |
| FFY2013                           | DW291346-01                   | Fredericktown                 | 2,983,000                 |
| FFY2013                           | DW291204-03                   | City of Poplar Bluff          | 1,029,670                 |
| <b>FFY2013 Award \$16,277,000</b> |                               |                               | <b>\$16,277,000</b>       |
| FFY2014                           | DS14-DWSA-MO3010720           | City of St. Robert            | \$173,475                 |
| FFY2014                           | SWPD116-DWSA-MO5010754        | City of Springfield           | 41,200                    |
| FFY2014                           | ER15-DWSA-MO2010796           | City of Trenton               | 34,595                    |
| FFY2014                           | DS-DWSA-MO4010710             | City of Sainte Genevieve      | 29,486                    |
| FFY2014                           | DW14-DWSA-MO4010132           | City of Campbell              | 107,000                   |
| FFY2014                           | DW291017-02                   | Hannibal                      | 12,960,000                |
| FFY2014                           | DW291181-04                   | Tri-County Water Authority    | 4,502,914                 |
| FFY2014                           | DW291204-03                   | City of Poplar Bluff          | 1,330                     |
| <b>FFY2014 Award \$17,850,000</b> |                               |                               | <b>\$17,850,000</b>       |
| FFY2015                           | ER16-DWSA-MO3024438/MO3024441 | Osage County PWSD 2           | \$55,440                  |
| FFY2015                           | PDWB-CARES-FY17-FY18          | University of Missouri System | 60,000                    |
| FFY2015                           | DW291327-01                   | Monett                        | 2,583,517                 |
| FFY2015                           | DW291280-12                   | St. Louis                     | 9,500,000                 |
| FFY2015                           | DW291314-02                   | Belton                        | 5,264,483                 |
| FFY2015                           | DW291181-04                   | Tri-County Water Authority    | 274,560                   |
| <b>FFY2015 Award \$17,738,000</b> |                               |                               | <b>\$17,738,000</b>       |

| FFATA Subaward List                       |                      |                                |                                 |
|---|----------------------|--------------------------------|---------------------------------|
| Drinking<br>Water<br>CAP<br>Grant<br>Year | Project Number       | Recipient                      | FFATA<br>Subaward<br>Obligation |
| FFY2016                                   | DW291356-01          | Harrisonville                  | \$9,544,000                     |
| FFY2016                                   | DW291357-01          | Scotland County PWSD #1        | 2,034,890                       |
| FFY2016                                   | ER16-DWSA-MO1024009  | Atchison Co. PWSD #1           | 35,550                          |
| FFY2016                                   | ER16-DWSA-MO5010071  | Billings                       | 39,600                          |
| FFY2016                                   | ER16-DWSA-MO4024097  | Cape Girardeau Co. PWSD #2     | 39,600                          |
| FFY2016                                   | ER16-DWSA-MO4010467  | Licking                        | 31,500                          |
| FFY2016                                   | ER16-DWSA-MO5010697  | Rockaway Beach                 | 33,849                          |
| FFY2016                                   | ER17-DWSA-MO2010389  | Humphreys                      | 25,000                          |
| FFY2016                                   | ER17-DWSA-MO2010664  | Princeton                      | 25,000                          |
| FFY2016                                   | ER17-DWSA-MO2024495  | Putnam Co. PWSD #1             | 25,000                          |
| FFY2016                                   | SWPDI-DWSA-MO5010754 | City of Springfield            | 51,200                          |
| FFY2016                                   | SWPDI-DWSA-MO2021537 | North Central MO Reg Wtr Comm. | 63,250                          |
| <b>FFY2016 Award \$16,781,000</b>         |                      |                                | <b>\$11,948,439</b>             |
| <b>Total FFATA Reported To Date</b>       |                      |                                | <b>\$120,725,042</b>            |

## Assembled Necessary Staff

The department has the necessary staff positions to implement the Drinking Water SRF. The Drinking Water SRF administrative, financial and technical review staff for the Drinking Water Loan program are primarily located in the Water Protection Program's Financial Assistance Center. Staff administering the programs and activities funded by the set-aside portion of the Drinking Water SRF capitalization grants are primarily located in the Water Protection Program's Public Drinking Water Branch. The Water Protection Program coordinates with the Environmental Improvement and Energy Resources Authority, a state environmental financing agency, to implement the direct loan program. Staff in the department's regional offices provide assistance with Drinking Water SRF and primacy-related field activities.

## Grant Conditions Compliance

The department continues to comply with all grant conditions. The following sections address specific compliance issues.

- **Lobbying.** Lobbying by grant recipients is restricted by Section 607(A) of P.L. 96-74 and by the Anti-Lobbying Act, Section 319 of P.L. 101-121. The department has not engaged in illegal lobbying and has not used grant funds to support lobbying.
- **Debarment.** The department has agreed to comply with EPA's policy on debarment and suspension under assistance, loan and benefit programs. The department has not solicited subagreements from debarred or suspended parties and has included notice of this policy in solicitations as required.
- **Disadvantaged business enterprises.** The department has agreed to comply with EPA's Program for Utilization of Small, Minority, and Women's Business Enterprises. It has agreed to negotiate fair share goals. The department and all loan and grant recipients have included in their bid documents the fair share goals and followed the six affirmative steps stated in 40 CFR 31.36(e) and 40 CFR Part 33. The department has submitted reports on disadvantaged business enterprise use as required based on the information provided from the loan recipients. MBE/WBE reports were submitted to EPA for the 2017 reporting period. The table below illustrates our status towards meeting the goals set for MBE/WBE.

| Assistance Activity 2017 Reporting Period |          |           |
|---|----------|-----------|
|   | MBE      | WBE       |
| Construction                              | \$17,095 | \$213,713 |
| Equipment                                 | \$0      | \$0       |
| Services                                  | \$1,376  | \$6,609   |
| Supplies                                  | \$726    | \$14,718  |
| Total                                     | \$19,197 | \$235,040 |
| Percent                                   | 0.1%     | 1.2%      |
| Goal                                      | 10.0%    | 5.0%      |

- **Drinking Water SRF and Public Drinking Water Benefits Reporting System.** The department has agreed to submit an annual report on the state of the Drinking Water SRF program. This report fulfills the requirement of the annual report. The department has updated the Public Drinking Water Benefits Reporting System as required for each loan recipient.
- **Use of recycled paper.** The department has agreed to submit required reports to EPA on recycled paper. This report is printed on recycled paper.
- **Indirect costs.** The department has agreed to charge indirect costs in the year that they are expended and in accordance with the negotiated indirect cost agreement. The department has complied with the agreement and charged indirect costs in the years they were expended.
- **Federal cross-cutters.** The department has agreed to comply with all federal cross- cutters identified in Appendix A of the Drinking Water SRF Program Guidelines. While loan recipients do not always receive assistance directly from the capitalization grant, the department has ensured, by conditions in the loan agreements, that cross-cutting authority apply to projects equating to at least the amount of the capitalization grants.

## **XVI. Management's Discussion and Analysis**

The following is a discussion and analysis of the financial activities for the Missouri Department of Natural Resources' Drinking Water State Revolving Fund (SRF) for the year ended Sept. 30, 2017. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the Notes to the Financial Statements.

### **Financial Highlights**

The assets and deferred outflows of resources of the program exceeded liabilities and deferred inflows of resources at the close of the most recent reporting period by \$242,014,714 (net position). Net position, since inception of the program, consists of federal capitalization grant contributions of \$243,630,375, state match contributions of \$19,052,149, and a net loss of \$20,667,810. The net position of the program is all restricted. The program's enabling legislation and related regulations require that all money in the fund may be used only for purposes of the program.

Total assets increased from \$358,440,738 at Sept. 30, 2016 to \$358,476,443 at Sept. 30, 2017. The assets of the enterprise funds increased \$174,437 while the assets of the agency fund decreased \$138,732. Explanations for these changes are detailed in the Financial Analysis section.

Total liabilities decreased \$15,589,981. The majority of the decrease was from a decrease in bonds payable. Bonds payable decreased \$17,026,081 because the program has changed from primarily a leveraged loan program to a direct loan program.



During the reporting period, the program's total net position increased \$16,069,755. Capital contributions from the Environmental Protection Agency totaled \$16,947,832. The current period income of (\$878,077) is the result of the program making increased levels of grant payments which totaled \$5,009,252 during the reporting period.

During the reporting period the department transferred \$3,356,200 from the administration fee fund to the loan fund for state match of the 2016 capitalization grant.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the department's Drinking Water SRF basic financial statements. The program's basic financial statements are comprised of two components: 1) proprietary and fiduciary fund financial statements, and 2) notes to the financial statements.

The proprietary and fiduciary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, a Statement of Cash Flows and a Statement of Fiduciary Net Position.

- The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the program. Assets consist of cash and cash equivalents, investments, interest receivable from loans and investments, administration fees receivable, EPA set-aside grant funds receivable and loans receivable. Deferred outflows of resources consist of the deferred charge on refunding and deferred outflows-pension. Liabilities include accounts payable, deferred revenue, bonds payable, bond interest payable, net pension liability and deferred inflows of resources. Net position is the federal capitalization grant contributions, the state match contributions, and the excess earnings of the program's operations since inception.
- The Statement of Revenues, Expenses and Changes in Net Position present information showing how the program's net position changed during the reporting period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.
- The Statement of Cash Flows is provided to identify the sources and the uses of cash during the reporting period and to demonstrate that the program has sufficient cash to meet its obligations.
- The Statement of Fiduciary Net Position provides information about the program's agency fund. The agency fund consists of the assets and liabilities related to the loan funds that are held at trustee banks on behalf of the loan participants.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

## Financial Analysis

### Loan Fund:

The following section displays the current and prior year financial statements of the loan fund and describes some of the major reasons for the changes.

| <b>Loan Fund Net Position</b>          | <b>2017</b>    | <b>2016</b>    | <b>Percent Change</b> |
|--|----------------|----------------|-----------------------|
| Current assets                         | \$ 100,363,689 | \$ 97,597,166  | 3%                    |
| Non-current assets                     | 251,375,141    | 251,358,221    | 0%                    |
| Total assets                           | 351,738,830    | 348,955,387    | 1%                    |
| Deferred outflows                      | 3,641,619      | 4,434,830      | -18%                  |
| Total Assets and deferred outflows     | 355,380,449    | 353,390,217    | 1%                    |
| Current liabilities                    | 16,515,371     | 16,066,501     | 3%                    |
| Non-current liabilities                | 99,022,891     | 116,427,112    | -15%                  |
| Total liabilities                      | 115,538,262    | 132,493,613    | -13%                  |
| Total liabilities and deferred inflows | 115,538,262    | 132,493,613    | -13%                  |
| Net position                           | \$ 239,842,187 | \$ 220,896,604 | 9%                    |

The total net position of the loan fund increased by nine percent. Current assets increased by \$2,766,523 as cash on hand grew primarily for the following reasons:

- 1) A transfer of \$3,356,200 was made from the administration fee fund to the loan fund for state match for the 2016 capitalization grant.
- 2) Federal capitalization dollars and state match funds were primarily used for project disbursements allowing loan repayments to accrue in the loan fund which resulted in increased cash and cash equivalents.

Non-current assets remained fairly static, indicating that disbursements for direct loans were equivalent to the decreases in receivables for leveraged and reserve loans. Total liabilities decreased by \$16,955,351 as bonds payable decreased.

| <b>Changes in Loan Fund Net Position</b> | <b>2017</b>    | <b>2016</b>    | <b>Percent Change</b> |
|--|----------------|----------------|-----------------------|
| Operating revenues                       | \$ 7,323,379   | \$ 7,182,025   | 2%                    |
| Operating expenses                       | 5,009,252      | 3,341,903      | 50%                   |
| Operating income                         | 2,314,127      | 3,840,122      | -40%                  |
| Non-operating revenues (expenses)        | 16,631,456     | 32,688,289     | -49%                  |
| Increase in net position                 | 18,945,583     | 36,528,411     | -48%                  |
| Net position, beginning of year          | 220,896,604    | 184,368,193    | 20%                   |
| Net position, end of year                | \$ 239,842,187 | \$ 220,896,604 | 9%                    |

The net position of the loan fund increased \$18,945,583 in the 2017 reporting period. Non-operating revenues decreased significantly which was primarily attributable to a \$11,761,709 decrease in federal grant draws.

| <b>Loan Fund Cash Flows</b>                      | <b>2017</b>   | <b>2016</b>    | <b>Percent Change</b> |
|--|---------------|----------------|-----------------------|
| Cash flows from operating activities             | \$ (316,158)  | \$ (6,665,617) | -95%                  |
| Cash flows from noncapital financing activities  | (662,870)     | 15,159,666     | -104%                 |
| Cash flows from investing activities             | 4,609,056     | 4,558,561      | 1%                    |
| Increase (decrease) in cash and cash equivalents | 3,630,028     | 13,052,610     | -72%                  |
| Cash and cash equivalents, beginning of year     | 65,249,274    | 52,196,665     | 25%                   |
| Cash and cash equivalents, end of year           | \$ 68,879,302 | \$ 65,249,275  | 6%                    |

A number of factors caused a significant change in the loan fund cash flow numbers between fiscal year 2016 and 2017.

- 1) Loan disbursements decreased \$3,823,175 impacting net cash provided by operating activities.
- 2) Environmental Protection Agency grants funds received decreased by \$11,761,709.
- 3) Bonds issued decreased by \$21,132,297 because no bonds were issued during this reporting period as compared to 2016 when \$19,565,000 in DWSRF refunding bonds were issued.
- 4) Bond principal retired decreased by \$21,278,500.
- 5) There was a \$3,356,200 transfer from the administration fee fund to the loan fund for state match during the reporting period.

#### **Administration Fee Fund:**

The following section displays the current and prior year financial statements of the administration fee fund and describes some of the major reasons for the changes.

| <b>Administration Fee Fund Net Assets</b> | <b>2017</b>  | <b>2016</b>  | <b>Percent Change</b> |
|---|--------------|--------------|-----------------------|
| Current assets                            | \$ 5,341,097 | \$ 7,698,155 | -31%                  |
| Non-current assets                        | -            | -            | 0%                    |
| Total assets                              | 5,341,097    | 7,698,155    | -31%                  |
| Deferred outflows                         | 25,672       | 25,672       | 0%                    |
| Total assets and deferred outflows        | 5,366,769    | 7,723,827    | -31%                  |
| Current liabilities                       | -            | -            | 0%                    |
| Non-current liabilities                   | 82,339       | 82,339       | 0%                    |
| Total liabilities                         | 82,339       | 82,339       | 0%                    |
| Deferred inflows                          | (60,255)     | (60,255)     | 0%                    |
| Total liabilities and deferred inflows    | 22,084       | 22,084       | 0%                    |
| Net position                              | \$ 5,344,685 | \$ 7,701,743 | -31%                  |

The thirty one percent decrease in the administration fee fund net position is primarily the result of a transfer for state match contribution for the 2016 capitalization grant.

| <b>Changes in Administration Fee Fund Net Assets</b> | <b>2017</b>  | <b>2016</b>  | <b>Percent Change</b> |
|--|--------------|--------------|-----------------------|
| Operating revenues                                   | \$ 964,747   | \$ 888,882   | 9%                    |
| Operating expenses                                   | 0            | 896,412      | -100%                 |
| Operating income                                     | 964,747      | (7,530)      | -12912%               |
| Non-operating revenues (expenses)                    | (3,321,805)  | (3,507,395)  | -5%                   |
| Increase in net position                             | (2,357,058)  | (3,514,925)  | -33%                  |
| Net position, beginning of year                      | 7,701,743    | 11,216,668   | -31%                  |
| Net position, end of year                            | \$ 5,344,685 | \$ 7,701,743 | -31%                  |

There was a decrease of \$896,412 in administrative fee expense because no operating expenses were paid from administrative fees. The decrease in non-operating expenses\ was due to the transfer of \$3,356,200 to the loan fund for the state match contribution, which is a reduction in the transfer amount from the previous reporting period.

| <b>Administration Fee Fund Cash Flows</b>       | <b>2017</b>  | <b>2016</b>  | <b>Percent Change</b> |
|---|--------------|--------------|-----------------------|
| Cash flows from operating activities            | \$ 942,567   | \$ (13,192)  | -7245%                |
| Cash flows from noncapital financing activities | (3,356,200)  | (3,547,600)  | -5%                   |
| Cash flows from investing activities            | 34,974       | 44,834       | -22%                  |
| Increase in cash and cash equivalents           | (2,378,659)  | (3,515,958)  | -32%                  |
| Cash and cash equivalents, beginning of year    | 7,365,307    | 10,881,265   | -32%                  |
| Cash and cash equivalents, end of year          | \$ 4,986,648 | \$ 7,365,307 | -32%                  |

Administration fee fund cash decreased \$2,378,659 during the year due to the state match contribution exceeding the administration fees received.

### Set-aside Fund:

The following section displays the current and prior year financial statements of the set-aside fund and describes some of the major reasons for the changes:

| <b>Set-Aside Fund Net Position</b>     | <b>2017</b>    | <b>2016</b>    | <b>Percent Change</b> |
|--|----------------|----------------|-----------------------|
| Current assets                         | \$ 461,770     | \$ 706,918     | -35%                  |
| Non-current assets                     | -              | -              | 0%                    |
| Capital assets                         | 4,726          | 11,526         | -59%                  |
| Total assets                           | 466,496        | 718,444        | -35%                  |
| Deferred outflows                      | 1,789,723      | 576,333        | 211%                  |
| Total assets and deferred outflows     | 2,256,219      | 1,294,777      | 74%                   |
| Current liabilities                    | 555,098        | 718,404        | -23%                  |
| Non-current liabilities                | 4,797,262      | 3,129,854      | 53%                   |
| Total liabilities                      | 5,352,360      | 3,848,258      | 39%                   |
| Deferred inflows                       | 76,017         | 99,907         | -24%                  |
| Total liabilities and deferred inflows | 5,428,377      | 3,948,165      | 37%                   |
| Net position                           | \$ (3,172,158) | \$ (2,653,388) | 20%                   |

The decrease in assets of the set-aside fund reflects an increase in total liabilities due to net pension liability.

| <b>Changes in Set-aside Fund Net Position</b> | <b>2017</b>    | <b>2016</b>    | <b>Percent Change</b> |
|---|----------------|----------------|-----------------------|
| Operating revenues                            | \$ 6,161,234   | \$ 7,350,685   | -16%                  |
| Operating expenses                            | 6,680,004      | 7,324,981      | -9%                   |
| Operating income                              | (518,770)      | 25,704         | -2118%                |
| Non-operating revenues (expenses)             | -              | -              | 0%                    |
| Increase in net position                      | (518,770)      | 25,704         | -2118%                |
| Net position, beginning of year               | (2,653,388)    | (2,679,092)    | -1%                   |
| Net position, end of year                     | \$ (3,172,158) | \$ (2,653,388) | 20%                   |

There was a \$1,189,451 decrease in operating revenues. Salaries and benefits expense increased \$264,265, indirect costs increased by \$130,255, and other administrative expenses decreased \$1,021,265. These changes in operating expenses resulted in a corresponding increase in EPA operating grant revenue.

### Set-aside Cash Flows:

Typically the set-aside fund does not have a cash balance, as any cash paid out is offset by cash coming in, resulting in the yearly cash provided by operating activities of \$0. The implementation of GASB 68 for pension liability results in the set-aside fund having a negative net position as there is no cash to offset the liability.

**Agency Fund:**

The following section displays the current and prior year assets and liabilities of the agency fund:

**Agency Fund Net Position**

|              | <b>2017</b> | <b>2016</b>  | <b>Percent<br/>Change</b> |
|--------------|-------------|--------------|---------------------------|
| Assets       | \$ 930,020  | \$ 1,068,752 | -13%                      |
| Liabilities  | 930,020     | 1,068,752    | -13%                      |
| Net position | <u>\$ -</u> | <u>\$ -</u>  | <u>0%</u>                 |

The agency fund assets and liabilities decreased thirteen percent because the program is now funding new loans on a payment by payment basis instead of placing one-hundred percent of the loan funds at a trustee bank at the time of the loan closing. The remaining agency funds consist of the applicant's unspent loan funds, debt service reserve funds, as well as the rebate funds held for arbitrage payments.



## SRF Binding Commitments

Fiscal Years 1997 through 2017

| Project Name                    | Population Served | Project Number | Amount                 | Closing Date |
|---------------------------------|-------------------|----------------|------------------------|--------------|
| <b>Funding Type: ARRA GRANT</b> |                   |                |                        |              |
| CAMERON**                       | 2,950             | DW291193-03G   | \$1,390,500.00         | 10/22/2009   |
| CLINTON COUNTY PWSD #3**        | 1,310             | DW291227-01G   | \$1,100,000.00         | 11/06/2009   |
| AVA MUNICIPAL WATER SYSTEM**    | 3,021             | DW291214-01G   | \$1,445,400.00         | 11/10/2009   |
| CLARENCE CANNON                 | 42,000            | DW291070-03G   | \$2,000,000.00         | 11/17/2009   |
| DREXEL **                       | 1,115             | DW291236-01G   | \$2,000,000.00         | 11/17/2009   |
| ROCKAWAY BEACH**                | 577               | DW291230-01G   | \$862,000.00           | 12/07/2009   |
| MONROE COUNTY PWSD #2*          | 6,500             | DW291213-01G   | \$1,065,250.00         | 12/10/2009   |
| ADRIAN*                         | 4,420             | DW291245-01G   | \$473,800.00           | 12/21/2009   |
| PILOT GROVE**                   | 723               | DW291232-01G   | \$505,000.00           | 12/21/2009   |
| WESTON**                        | 1,631             | DW291220-01G   | \$2,033,300.00         | 12/21/2009   |
| HARRY S TRUMAN PWSD #2*         | 6,000             | DW291239-01G   | \$1,172,000.00         | 12/22/2009   |
| CAPE GIRARDEAU                  | 36,472            | DW291010-03G   | \$1,000,000.00         | 12/28/2009   |
| NEWBURG MUNIC WATER SYSTEM**    | 474               | DW291229-01G   | \$162,200.00           | 12/29/2009   |
| KING CITY**                     | 1,500             | DW291265-01G   | \$597,300.00           | 12/30/2009   |
| LINN CREEK **                   | 280               | DW291223-01G   | \$916,100.00           | 01/08/2010   |
| STE GENEVIEVE*                  | 4,480             | DW291281-01G   | \$781,440.00           | 01/08/2010   |
| CLAY COUNTY PWSD #8**           | 1,953             | DW291235-01G   | \$723,000.00           | 01/11/2010   |
| COLE COUNTY PWSD #4**           | 1,100             | DW291208-02G   | \$324,000.00           | 01/15/2010   |
| WARDSVILLE**                    | 976               | DW291218-01G   | \$396,862.00           | 01/26/2010   |
|                                 | <b>19</b>         |                | <b>\$18,948,152.00</b> |              |

**Funding Type: ARRA LOAN**

|                              |           |              |                        |            |
|------------------------------|-----------|--------------|------------------------|------------|
| CAMERON**                    | 2,950     | DW291193-03L | \$1,390,500.00         | 11/02/2009 |
| AVA MUNICIPAL WATER SYSTEM** | 3,021     | DW291214-01L | \$1,445,400.00         | 11/17/2009 |
| CLARENCE CANNON              | 42,000    | DW291070-03L | \$2,390,000.00         | 11/23/2009 |
| DREXEL **                    | 1,115     | DW291236-01L | \$2,368,000.00         | 11/23/2009 |
| CLINTON COUNTY PWSD #3**     | 1,310     | DW291227-01L | \$1,100,000.00         | 11/25/2009 |
| ROCKAWAY BEACH**             | 577       | DW291230-01L | \$862,000.00           | 12/09/2009 |
| MONROE COUNTY PWSD #2*       | 6,500     | DW291213-01L | \$1,065,200.00         | 12/14/2009 |
| PILOT GROVE**                | 723       | DW291232-01L | \$505,000.00           | 12/23/2009 |
| ADRIAN*                      | 4,420     | DW291245-01L | \$473,800.00           | 12/29/2009 |
| HARRY S TRUMAN PWSD #2*      | 6,000     | DW291239-01L | \$1,172,000.00         | 12/29/2009 |
| WESTON**                     | 1,631     | DW291220-01L | \$2,033,400.00         | 12/29/2009 |
| KING CITY**                  | 1,500     | DW291265-01L | \$199,100.00           | 01/06/2010 |
| LINN CREEK **                | 280       | DW291223-01L | \$305,300.00           | 01/12/2010 |
| STE GENEVIEVE*               | 4,480     | DW291281-01L | \$781,300.00           | 01/12/2010 |
| CLAY COUNTY PWSD #8**        | 1,953     | DW291235-01L | \$723,000.00           | 01/14/2010 |
| CAPE GIRARDEAU               | 36,472    | DW291010-03L | \$1,000,000.00         | 01/15/2010 |
| NEWBURG MUNIC WATER SYSTEM** | 474       | DW291229-01L | \$162,200.00           | 01/19/2010 |
| COLE COUNTY PWSD #4**        | 1,100     | DW291208-02L | \$324,000.00           | 01/21/2010 |
| WARDSVILLE**                 | 976       | DW291218-01L | \$396,700.00           | 01/28/2010 |
|                              | <b>19</b> |              | <b>\$18,696,900.00</b> |            |

**Funding Type: DIRECT FORTY % MATCH LOAN SRF**

|                            |          |             |                        |            |
|----------------------------|----------|-------------|------------------------|------------|
| GLASGOW, CITY OF**         | 1,263    | DW291125-01 | \$1,000,000.00         | 12/05/2002 |
| MARSHFIELD, CITY OF*       | 5,720    | DW291148-01 | \$3,650,000.00         | 03/27/2003 |
| TRI-COUNTY WATER AUTHORITY | 19,000   | DW291181-01 | \$9,848,500.00         | 02/25/2005 |
|                            | <b>3</b> |             | <b>\$14,498,500.00</b> |            |

**Funding Type: DIRECT INTERIM LOAN SRF (Paid off by Leveraged Loan)**

|                            |            |             |                          |            |
|----------------------------|------------|-------------|--------------------------|------------|
| GLASGOW, CITY OF**         | 1,263      | DW291125-01 | (\$1,000,000.00)         | 04/09/2003 |
| MARSHFIELD, CITY OF*       | 5,720      | DW291148-01 | (\$3,650,000.00)         | 11/20/2003 |
| TRI-COUNTY WATER AUTHORITY | 19,000     | DW291181-01 | (\$9,848,500.00)         | 05/19/2005 |
|                            | <b>(3)</b> |             | <b>(\$14,498,500.00)</b> |            |

## SRF Binding Commitments

Fiscal Years 1997 through 2017

| Project Name                            | Population Served | Project Number | Amount                | Closing Date |
|---|-------------------|----------------|-----------------------|--------------|
| <b>Funding Type: DIRECT LOAN SRF</b>    |                   |                |                       |              |
| ADRIAN, CITY OF*                        | 4,420             | DW291107-01    | \$4,163,000.00        | 12/03/2007   |
| SULLIVAN COUNTY PWSD #1*                | 4,340             | DW291212-01    | \$2,900,000.00        | 04/14/2009   |
| PLATTE COUNTY PWSD #8**                 | 1,101             | DW291273-01    | \$444,800.00          | 11/17/2009   |
|   |                   | <b>3</b>       | <b>\$7,507,800.00</b> |              |
| <b>Funding Type: LEVERAGED LOAN SRF</b> |                   |                |                       |              |
| CAMERON, CITY OF                        | 11,000            | DW291008-01    | \$3,300,000.00        | 12/02/1998   |
| CAPE GIRARDEAU, CITY OF                 | 38,509            | DW291010-01    | \$25,495,000.00       | 12/02/1998   |
| LOUISIANA, CITY OF*                     | 4,000             | DW291025-01    | 2,315,000.00          | 06/03/1999   |
| MOSCOW MILLS-ELEVATED WATER TANK *      | 2,600             | DW291032-01    | 365,000.00            | 12/02/1999   |
| RAY COUNTY PWSD #2                      | 16,000            | DW291034-01    | 3,955,000.00          | 12/02/1999   |
| BOONVILLE, CITY OF*                     | 7,095             | DW291003-01    | 5,110,000.00          | 04/12/2000   |
| CAMDEN COUNTY PWSD #2**                 | 691               | DW291007-01    | 700,000.00            | 04/12/2000   |
| HALLSVILLE, CITY OF**                   | 1,200             | DW291053-01    | 825,000.00            | 04/12/2000   |
| JACKSON DIST. SYS IMPROVEMENTS 01*      | 9,256             | DW291020-01    | 995,000.00            | 04/12/2000   |
| MARCELINE, CITY OF **                   | 2,645             | DW291026-01    | 4,000,000.00          | 04/12/2000   |
| PERRYVILLE, CITY OF*                    | 6,993             | DW291062-01    | 8,860,000.00          | 04/12/2000   |
| CLARENCE CANNON WHOLESALE WC*           | 4,172             | DW291070-01    | 4,015,000.00          | 11/21/2000   |
| JACKSON DIST. SYS IMPROVEMENTS 02*      | 9,256             | DW291020-02    | 1,895,000.00          | 11/21/2000   |
| SWEET SPRINGS**                         | 1,620             | DW291040-01    | 445,000.00            | 11/21/2000   |
| UNIONVILLE, CITY OF **                  | 1,989             | DW291041-01    | 455,000.00            | 11/21/2000   |
| OZARK, CITY OF*                         | 9,159             | DW291089-01    | 975,000.00            | 04/18/2001   |
| RAY COUNTY PWSD #2                      | 16,000            | DW291117-01    | 790,000.00            | 04/18/2001   |
| RICHMOND*                               | 6,675             | DW291071-01    | 3,525,000.00          | 04/18/2001   |
| VERNON COUNTY PWSD #2**                 | 1,100             | DW291069-01    | 1,005,000.00          | 04/18/2001   |
| BUTLER, CITY OF*                        | 8,555             | DW291046-01    | 5,000,000.00          | 11/20/2001   |
| DUNKLIN COUNTY PWSD #3**                | 1,764             | DW291110-01    | 335,000.00            | 11/20/2001   |
| FESTUS, CITY OF                         | 10,470            | DW291051-01    | 1,885,000.00          | 11/20/2001   |
| GARDEN CITY**                           | 1,390             | DW291073-01    | 730,000.00            | 11/20/2001   |
| JEFFERSON COUNTY WATER AUTHORITY        | 10,470            | DW291121-01    | 10,435,000.00         | 11/20/2001   |
| KEARNEY, CITY OF*                       | 4,300             | DW291082-01    | 2,645,000.00          | 11/20/2001   |
| TRI-COUNTY WATER AUTHORITY              | 19,000            | DW291068-01    | 2,370,000.00          | 11/20/2001   |
| CAMDEN COUNTY PWSD #2**                 | 2,280             | DW291122-01    | 430,000.00            | 05/08/2002   |
| CLEVER, CITY OF**                       | 811               | DW291109-01    | 410,000.00            | 05/08/2002   |
| CRYSTAL CITY*                           | 4,247             | DW291050-01    | 1,300,000.00          | 05/08/2002   |
| JEFFERSON COUNTY WATER AUTHORITY        | 10,470            | DW291121-02    | 8,230,000.00          | 05/08/2002   |
| ELSBERRY TREATMENT UPGRADE**            | 1,896             | DW291099-01    | 500,000.00            | 11/07/2002   |
| LAWSON, CITY OF**                       | 2,357             | DW291127-01    | 1,080,000.00          | 11/07/2002   |
| OSAGE BEACH REFINANCE & NEW PROJECT     | 15,000            | DW291150-01    | 24,585,000.00         | 11/07/2002   |
| PUXICO, CITY OF**                       | 1,145             | DW291134-01    | 540,000.00            | 11/07/2002   |
| CARL JUNCTION DW IMPROVEMENTS**         | 2,188             | DW291123-01    | 1,760,000.00          | 04/09/2003   |
| GLASGOW, CITY OF**                      | 1,263             | DW291125-02    | 2,210,000.00          | 04/09/2003   |
| JASPER COUNTY PWSD #1**                 | 1,873             | DW291131-01    | 1,400,000.00          | 04/09/2003   |
| OSAGE BEACH REFINANCE & NEW PROJECT     | 15,000            | DW291150-02    | 6,075,000.00          | 04/09/2003   |
| BOWLING GREEN*                          | 5,166             | DW291165-01    | 3,160,000.00          | 11/20/2003   |
| CASS-BATES #12**                        | 1,800             | DW291151-01    | 330,000.00            | 11/20/2003   |
| GREEN CITY**                            | 688               | DW291164-01    | 490,000.00            | 11/20/2003   |
| KNOB NOSTER WATER IMPROVEMENTS**        | 2,462             | DW291139-01    | 1,000,000.00          | 11/20/2003   |
| MARSHFIELD, CITY OF*                    | 5,720             | DW291148-02    | 6,310,000.00          | 11/20/2003   |
| BROOKFIELD*                             | 4,769             | DW291178-01    | 3,055,000.00          | 05/28/2004   |
| PINEVILLE**                             | 768               | DW291141-01    | 550,000.00            | 05/28/2004   |
| ADAIR COUNTY PWSD #1*                   | 7,989             | DW291155-01    | 395,000.00            | 12/09/2004   |

# SRF Binding Commitments

Fiscal Years 1997 through 2017

| Project Name                    | Population |  | Project Number | Amount                  | Closing Date |
|---------------------------------|------------|--|----------------|-------------------------|--------------|
|                                 | Served     |  |                |                         |              |
| KIRKSVILLE SOUTH PROJECT        | 16,988     |  | DW291176-01    | 695,000.00              | 12/09/2004   |
| LIVINGSTON COUNTY PWSD #1**     | 1,240      |  | DW291161-01    | 1,230,000.00            | 12/09/2004   |
| MOBERLY                         | 13,741     |  | DW291158-01    | 5,100,000.00            | 12/09/2004   |
| PORTAGEVILLE*                   | 3,600      |  | DW291077-01    | 2,300,000.00            | 12/09/2004   |
| FULTON, CITY OF                 | 12,128     |  | DW291124-01    | 4,500,000.00            | 05/19/2005   |
| HUNTSVILLE**                    | 1,600      |  | DW291175-01    | 605,000.00              | 05/19/2005   |
| TRI-COUNTY WATER AUTHORITY      | 27,000     |  | DW291181-02    | 23,000,000.00           | 05/19/2005   |
| CLARENCE CANNON WWC             | 42,000     |  | DW291137-01    | 9,700,000.00            | 11/30/2005   |
| KIRKSVILLE PHASE I              | 26,450     |  | DW291183-01    | 1,805,000.00            | 11/30/2005   |
| RUSSELLVILLE**                  | 850        |  | DW291172-01    | 650,000.00              | 11/30/2005   |
| TRI-COUNTY WATER AUTHORITY      | 27,000     |  | DW291181-03    | 17,625,000.00           | 11/30/2005   |
| CAPE GIRARDEAU COUNTY PWSD #4** | 692        |  | DW291187-01    | 600,000.00              | 04/27/2006   |
| CLARENCE CANNON WWC             | 42,000     |  | DW291137-02    | 590,000.00              | 04/27/2006   |
| SHELBY COUNTY PWSD #1**         | 1,205      |  | DW291191-01    | 810,000.00              | 04/27/2006   |
| CLAY COUNTY PWSD #3*            | 3,800      |  | DW291196-01    | 2,295,000.00            | 11/16/2006   |
| IRONTON**                       | 1,539      |  | DW291145-01    | 2,500,000.00            | 05/01/2007   |
| KIRKSVILLE PHASE II & DOWNTOWN  | 26,450     |  | DW291184-01    | 3,500,000.00            | 05/01/2007   |
| OSAGE BEACH*                    | 4,100      |  | DW291150-03    | 2,550,000.00            | 05/01/2007   |
| RICHLAND**                      | 1,805      |  | DW291202-01    | 1,000,000.00            | 05/01/2007   |
| SENECA**                        | 2,135      |  | DW291157-01    | 835,000.00              | 05/01/2007   |
| WASHBURN, CITY OF**             | 448        |  | DW291171-01    | 1,420,000.00            | 05/01/2007   |
| HAMILTON**                      | 2,343      |  | DW291207-01    | 385,000.00              | 11/15/2007   |
| ASHLAND**                       | 3,000      |  | DW291043-02    | 1,240,000.00            | 10/30/2008   |
| COLE COUNTY PWSD #4**           | 1,100      |  | DW291208-01    | 2,045,000.00            | 10/30/2008   |
| HOLCOMB**                       | 840        |  | DW291186-01    | 355,000.00              | 10/30/2008   |
| LIVINGSTON COUNTY PWSD #3**     | 2,210      |  | DW291201-01    | 970,000.00              | 10/30/2008   |
| POPLAR BLUFF, CITY OF           | 16,651     |  | DW291204-01    | 6,195,000.00            | 10/30/2008   |
|                                 |            |  | <b>73</b>      | <b>\$250,735,000.00</b> |              |

## Funding Type: SRF CASH FLOW DIRECT LOAN

|                                      |        |  |              |               |            |
|--------------------------------------|--------|--|--------------|---------------|------------|
| CLARENCE CANNON                      | 42,000 |  | DW291070-04  | 5,285,000.00  | 06/24/2010 |
| MEADVILLE**                          | 457    |  | DW291243-01  | 622,700.00    | 10/26/2010 |
| ADRIAN*                              | 4,420  |  | DW291245-02  | 343,200.00    | 12/22/2010 |
| CHILHOWEE**                          | 329    |  | DW291233-01  | 585,000.00    | 12/22/2010 |
| STOCKTON, CITY OF**                  | 2,016  |  | DW291282-02  | 860,000.00    | 05/26/2011 |
| BARRY CO. PWSD #2 (CRESTWOOD WEST)** | 182    |  | DW291228-01L | 282,000.00    | 06/22/2011 |
| OSAGE COUNTY PWSD #3**               | 1,350  |  | DW291216-01L | 693,000.00    | 07/21/2011 |
| CASS COUNTY PWSD #10**               | 2,610  |  | DW291249-02L | 702,000.00    | 09/28/2011 |
| CLARKSBURG**                         | 390    |  | DW291234-01L | 408,000.00    | 10/05/2011 |
| NEOSHO                               | 10,505 |  | DW291308-01  | 9,425,000.00  | 12/19/2011 |
| CASS COUNTY PWSD #11**               | 2,560  |  | DW291313-01L | 534,000.00    | 05/14/2012 |
| PLATTE COUNTY PWSD #3**              | 1,200  |  | DW291315-01L | 582,000.00    | 06/19/2012 |
| JEFFERSON CO. WATER AUTHORITY        | 14,005 |  | DW291310-01L | 751,000.00    | 07/25/2012 |
| POPLAR BLUFF                         | 16,651 |  | DW291204-02L | 1,324,000.00  | 07/31/2012 |
| ROGERSVILLE**                        | 3,047  |  | DW291276-01L | 682,000.00    | 08/14/2012 |
| DESLOGE*                             | 5,105  |  | DW291258-01L | 782,000.00    | 09/27/2012 |
| WARSAW**                             | 2,075  |  | DW291293-01L | 739,000.00    | 11/28/2012 |
| JEFFERSON CO. PWSD #8*               | 3,500  |  | DW291322-01L | 260,000.00    | 11/29/2012 |
| LINN**                               | 1,430  |  | DW291162-04L | 1,143,000.00  | 01/30/2013 |
| JEFFERSON CO. PWSD #12**             | 3,000  |  | DW291324-01L | 866,000.00    | 05/22/2013 |
| TIPTON**                             | 3,262  |  | DW291331-01L | 606,600.00    | 06/18/2013 |
| CAMERON                              | 14,000 |  | DW291193-04L | 616,000.00    | 07/17/2013 |
| JACKSON COUNTY PWSD #16*             | 4,203  |  | DW291319-01L | 1,500,000.00  | 07/18/2013 |
| MONETT*                              | 8,835  |  | DW291327-01L | 11,012,000.00 | 09/09/2013 |

## SRF Binding Commitments

Fiscal Years 1997 through 2017

| Project Name                       | Population Served | Project Number | Amount                | Closing Date |
|------------------------------------|-------------------|----------------|-----------------------|--------------|
| ST. LOUIS                          | 319,294           | DW291280-12L   | 9,500,000.00          | 11/13/2013   |
| BELTON PHASE I                     | 24,802            | DW291314-02L   | 7,039,000.00          | 03/27/2014   |
| DEKALB COUNTY PWSD #1*             | 8,320             | DW291341-01L   | 423,000.00            | 08/26/2014   |
| AUXVASSE**                         | 901               | DW291222-03L   | 995,000.00            | 10/06/2014   |
| CALIFORNIA*                        | 4,278             | DW291328-01L   | 1,601,000.00          | 10/16/2014   |
| PLATTE COUNTY PWSD #3**            | 660               | DW291315-02L   | 446,000.00            | 10/16/2014   |
| LATHROP**                          | 2,086             | DW291195-02L   | 1,258,000.00          | 10/20/2014   |
| BELTON PHASE II                    | 24,802            | DW291314-03    | 2,718,000.00          | 09/14/2015   |
| AUDRAIN CO. PWSD #1**              | 1,700             | DW291304-02L   | 164,000.00            | 09/28/2015   |
| JACKSON COUNTY PWSD #16*           | 4,520             | DW291319-03L   | 711,000.00            | 09/28/2015   |
| HANNIBAL                           | 17,606            | DW291017-02    | 12,960,000.00         | 10/15/2015   |
| PLATTE COUNTY CO. PWSD #1**        | 1,200             | DW291335-01L   | 1,149,000.00          | 10/15/2015   |
| BONNE TERRE*                       | 4,187             | DW291343-01L   | 1,985,000.00          | 11/18/2015   |
| TRI-COUNTY WATER AUTHORITY         | 48,060            | DW291181-04    | 33,432,000.00         | 01/25/2016   |
| FREDERICKTOWN*                     | 3,985             | DW291346-01L   | 2,983,000.00          | 08/18/2016   |
| POPLAR BLUFF                       | 17,023            | DW291204-03    | 1,031,000.00          | 08/22/2016   |
| LATHROP PHASE II**                 | 2,086             | DW291195-03L   | 931,000.00            | 12/01/2016   |
| SUNRISE BEACH PHASE I**            | 431               | DW291219-02L   | 315,000.00            | 12/19/2016   |
| HARRISONVILLE*                     | 9,743             | DW291356-01    | 9,544,000.00          | 01/17/2017   |
| BIRCH TREE**                       | 679               | DW291350-01L   | 738,000.00            | 01/24/2017   |
| REEDS SPRING**                     | 913               | DW291348-01L   | 434,000.00            | 03/09/2017   |
| SPARTA, CITY OF**                  | 1,752             | DW291277-02L   | 1,896,000.00          | 06/27/2017   |
| JACKSON COUNTY PWSD #13*           | 5,400             | DW291336-01    | 3,000,000.00          | 07/27/2017   |
| SCOTLAND CO. CONSOLIDATED PWSD #1* | 2,668             | DW291357-01    | 2,193,000.00          | 09/21/2017   |
|                                    |                   | <b>48</b>      | <b>138,049,500.00</b> |              |
| <b>Funding Type: SRF GRANT</b>     |                   |                |                       |              |
| BARRY CO. PWSD #2 (CRESTWOOD WEST) | 182               | DW291228-01G   | 282,000.00            | 06/22/2011   |
| OSAGE COUNTY PWSD #3**             | 1,350             | DW291216-01G   | 693,000.00            | 07/21/2011   |
| CASS COUNTY PWSD #10**             | 2,610             | DW291249-02G   | 333,684.00            | 09/30/2011   |
| CLARKSBURG**                       | 390               | DW291234-01G   | 340,000.00            | 10/05/2011   |
| CASS COUNTY PWSD #11**             | 2,560             | DW291313-01G   | 534,000.00            | 06/06/2012   |
| PLATTE COUNTY PWSD #3**            | 1,200             | DW291315-01G   | 582,000.00            | 06/12/2012   |
| ROGERSVILLE**                      | 3,047             | DW291276-01G   | 559,113.00            | 08/24/2012   |
| JEFFERSON COUNTY WATER AUTHORITY   | 14,005            | DW291310-01G   | 751,000.00            | 09/06/2012   |
| POPLAR BLUFF                       | 16,651            | DW291204-02G   | 1,324,000.00          | 09/07/2012   |
| DESLOGE*                           | 5,105             | DW291258-01G   | 782,000.00            | 10/04/2012   |
| JEFFERSON CO. PWSD #8*             | 3,500             | DW291322-01G   | 260,000.00            | 12/06/2012   |
| WARSAW**                           | 2,075             | DW291293-01G   | 739,000.00            | 12/20/2012   |
| LINN**                             | 1,430             | DW291162-04G   | 1,117,620.00          | 02/22/2013   |
| JEFFERSON CO. PWSD #12**           | 3,000             | DW291324-01G   | 866,000.00            | 05/22/2013   |
| CAMERON                            | 14,000            | DW291193-04G   | 490,500.00            | 07/15/2013   |
| JACKSON COUNTY PWSD #16*           | 4,203             | DW291319-01G   | 1,500,000.00          | 08/15/2013   |
| MONETT*                            | 8,835             | DW291327-01G   | 2,000,000.00          | 09/16/2013   |
| DEKALB COUNTY PWSD #1*             | 8,320             | DW291341-01G   | 407,751.00            | 08/19/2014   |
| AUXVASSE**                         | 901               | DW291222-03G   | 1,110,685.00          | 10/01/2014   |
| CALIFORNIA*                        | 4,278             | DW291328-01G   | 1,601,000.00          | 10/07/2014   |
| LATHROP**                          | 2,086             | DW291195-02G   | 1,248,000.00          | 10/08/2014   |
| PLATTE COUNTY PWSD #3**            | 660               | DW291315-02G   | 446,000.00            | 10/15/2014   |
| JACKSON COUNTY PWSD #16*           | 4,520             | DW291319-03G   | 702,750.00            | 09/09/2015   |
| AUDRAIN CO PWSD #1**               | 1,700             | DW291304-02G   | 163,028.00            | 09/22/2015   |
| PLATTE CO. CONSOLIDATED PWSD #1**  | 1,200             | DW291335-01G   | 647,946.00            | 10/15/2015   |
| BONNE TERRE*                       | 4,187             | DW291343-01G   | 1,984,287.00          | 11/18/2015   |
| LATHROP PHASE II**                 | 2,086             | DW291195-03G   | 930,710.00            | 12/01/2016   |

**SRF Binding Commitments**

Fiscal Years 1997 through 2017

| <b>Project Name</b>              | <b>Population</b> |  | <b>Project Number</b> | <b>Amount</b>         | <b>Closing Date</b> |
|----------------------------------|-------------------|--|-----------------------|-----------------------|---------------------|
|                                  | <b>Served</b>     |  |                       |                       |                     |
| SUNRISE BEACH PHASE I**          | 431               |  | DW291219-02G          | 865,343.00            | 12/19/2016          |
| BIRCH TREE**                     | 679               |  | DW291350-01G          | 1,856,325.00          | 01/24/2017          |
| REEDS SPRING**                   | 913               |  | DW291348-01G          | 934,500.00            | 03/09/2017          |
| SPARTA, CITY OF**                | 1,752             |  | DW291277-02G          | 1,896,000.00          | 06/21/2017          |
|                                  |                   |  | <b>31</b>             | <b>27,948,242.00</b>  |                     |
| <b>Total Binding Commitments</b> |                   |  |                       | <b>461,885,594.00</b> |                     |

\* Systems that serve &lt;10,000 population

\*\* Systems that serve 3,300 or less population

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Statement of Net Position**  
**9/30/2017 - Unaudited**  
**Exhibit 2**

|   | Loan Fund    | Administrative<br>Fee Fund | Set-Aside<br>Fund | Total<br>Enterprise Funds |
|---|--------------|----------------------------|-------------------|---------------------------|
| <b>Assets:</b>                                  |              |                            |                   |                           |
| Current assets:                                 |              |                            |                   |                           |
| Cash and cash equivalents                       | \$68,879,302 | \$4,986,648                | \$ (300,505)      | \$73,565,445              |
| Restricted investments - current portion        | 4,144,571    | -                          | -                 | 4,144,571                 |
| Receivables:                                    |              |                            |                   |                           |
| Loan interest                                   | 1,559,585    | -                          | -                 | 1,559,585                 |
| Investment interest                             | 181,413      | 9,712                      | -                 | 191,125                   |
| Administrative fees                             | -            | 344,737                    | -                 | 344,737                   |
| Due from EPA                                    | -            | -                          | 762,275           | 762,275                   |
| Current portion of loans receivable:            |              |                            |                   |                           |
| Leveraged loans                                 | 12,395,000   | -                          | -                 | 12,395,000                |
| Direct loans                                    | 6,536,529    | -                          | -                 | 6,536,529                 |
| Reserve loans                                   | 6,667,289    | -                          | -                 | 6,667,289                 |
| Total current assets                            | 100,363,689  | 5,341,097                  | 461,770           | 106,166,556               |
| Non-current assets:                             |              |                            |                   |                           |
| Restricted investments                          | 7,851,658    | -                          | -                 | 7,851,658                 |
| Loans receivable:                               |              |                            |                   |                           |
| Leveraged loans                                 | 80,415,000   | -                          | -                 | 80,415,000                |
| Direct loans                                    | 113,971,348  | -                          | -                 | 113,971,348               |
| Reserve loans                                   | 49,137,135   | -                          | -                 | 49,137,135                |
| Total non-current assets                        | 251,375,141  | -                          | -                 | 251,375,141               |
| Capital assets                                  | -            | -                          | 60,518            | 60,518                    |
| Less accumulated depreciation                   | -            | -                          | (55,792)          | (55,792)                  |
| Capital assets, net of accumulated depreciation | -            | -                          | 4,726             | 4,726                     |
| Total assets                                    | 351,738,830  | 5,341,097                  | 466,496           | 357,546,423               |
| Deferred outflows of resources:                 |              |                            |                   |                           |
| Deferred amount due on refunding                | 3,641,619    | -                          | -                 | 3,641,619                 |
| Deferred outflows - pension                     | -            | 25,672                     | 1,789,723         | 1,815,395                 |
| Total deferred outflows                         | 3,641,619    | 25,672                     | 1,789,723         | 5,457,014                 |
| <b>Liabilities:</b>                             |              |                            |                   |                           |
| Current liabilities:                            |              |                            |                   |                           |
| Accounts payable                                | -            | -                          | 145,696           | 145,696                   |
| Salaries and benefits payable                   | -            | -                          | 141,487           | 141,487                   |
| Bond interest payable                           | 1,273,909    | -                          | -                 | 1,273,909                 |
| Current portion of bonds payable                | 14,817,668   | -                          | -                 | 14,817,668                |
| Current portion of unearned revenue             | -            | -                          | 11,487            | 11,487                    |
| Due to State of Missouri                        | -            | -                          | 256,428           | 256,428                   |
| Other payables                                  | 423,794      | -                          | -                 | 423,794                   |
| Total current liabilities                       | 16,515,371   | -                          | 555,098           | 17,070,469                |
| Non-current liabilities:                        |              |                            |                   |                           |
| Deferred revenue                                | -            | -                          | (6,761)           | (6,761)                   |
| Bonds payable, net                              | 99,022,891   | -                          | -                 | 99,022,891                |
| Net pension liability                           | -            | 82,339                     | 4,804,023         | 4,886,362                 |
| Total non-current liabilities                   | 99,022,891   | 82,339                     | 4,797,262         | 103,902,492               |
| Total liabilities                               | 115,538,262  | 82,339                     | 5,352,360         | 120,972,961               |
| Deferred inflows:                               |              |                            |                   |                           |
| Deferred inflows - pension                      | -            | (60,255)                   | 76,017            | 15,762                    |
| Total deferred inflows                          | -            | (60,255)                   | 76,017            | 15,762                    |
| Net position:                                   |              |                            |                   |                           |
| Net investment in capital assets                | -            | -                          | 4,726             | 4,726                     |
| Restricted for loans and debt service           | 239,842,187  | 5,344,685                  | (3,176,884)       | 242,009,988               |
| Total net position                              | 239,842,187  | 5,344,685                  | (3,172,158)       | 242,014,714               |

See accompanying notes to the financial statements.



**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Year Ended September 30, 2017 - Unaudited**  
**Exhibit 3**

|   | Loan Fund             | Administrative<br>Fee Fund | Set-Aside<br>Fund     | Total<br>Enterprise Funds |
|---|-----------------------|----------------------------|-----------------------|---------------------------|
| Operating revenues:   |                       |                            |                       |                           |
| Interest income on SRF loans                                    | \$ 6,594,610          | \$ -                       | \$ -                  | \$ 6,594,610              |
| Administrative fees   | -                     | 964,747                    | -                     | 964,747                   |
| EPA set-aside operating grants                                  | -                     | -                          | 6,161,234             | 6,161,234                 |
| Other   | 728,769               | -                          | -                     | 728,769                   |
| Total operating revenues  | <u>7,323,379</u>      | <u>964,747</u>             | <u>6,161,234</u>      | <u>14,449,360</u>         |
| Operating expenses:   |                       |                            |                       |                           |
| Salaries and benefits   | -                     | -                          | 3,727,003             | 3,727,003                 |
| Travel  | -                     | -                          | 31,636                | 31,636                    |
| Other administrative expenses                                   | -                     | -                          | 1,665,611             | 1,665,611                 |
| Indirect costs  | -                     | -                          | 1,248,953             | 1,248,953                 |
| Depreciation expense  | -                     | -                          | 6,800                 | 6,800                     |
| Grant payments  | 5,009,252             | -                          | -                     | 5,009,252                 |
| Total operating expenses  | <u>5,009,252</u>      | <u>-</u>                   | <u>6,680,004</u>      | <u>11,689,256</u>         |
| Operating income (loss)   | <u>2,314,127</u>      | <u>964,747</u>             | <u>(518,770)</u>      | <u>2,760,104</u>          |
| Non-operating revenues (expenses):                              |                       |                            |                       |                           |
| Environmental Protection Agency grants                          | \$16,947,832          | -                          | -                     | 16,947,832                |
| Investment income   | 870,489               | 34,395                     | -                     | 904,884                   |
| State of Missouri contribution                                  | 3,356,200             | -                          | -                     | 3,356,200                 |
| Bond issue expense  | (1,331)               | -                          | -                     | (1,331)                   |
| Interest expense on bonds payable                               | (4,541,734)           | -                          | -                     | (4,541,734)               |
| Transfer (to)/from Clean Water Program/State Match Contribution | -                     | (3,356,200)                | -                     | (3,356,200)               |
| Total non-operating revenues (expenses)                         | <u>\$16,631,456</u>   | <u>(3,321,805)</u>         | <u>-</u>              | <u>13,309,651</u>         |
| Increase (decrease) in net position                             | 18,945,583            | (2,357,058)                | (518,770)             | 16,069,755                |
| Net position, beginning of year as previously stated            | <u>\$220,896,604</u>  | <u>7,701,743</u>           | <u>(2,653,388)</u>    | <u>225,944,959</u>        |
| Net position, beginning of year as restated                     | <u>220,896,604</u>    | <u>7,701,743</u>           | <u>(2,653,388)</u>    | <u>225,944,959</u>        |
| Net position, end of year                                       | <u>\$ 239,842,187</u> | <u>\$ 5,344,685</u>        | <u>\$ (3,172,158)</u> | <u>\$ 242,014,714</u>     |

See accompanying notes to the financial statements.

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Statement of Cash Flows**  
**Year Ended September 30, 2017 - Unaudited**  
**Exhibit 4**

|  | Loan Fund     | Administrative<br>Fee Fund | Set-Aside<br>Fund | Total<br>Enterprise Funds |
|--|---------------|----------------------------|-------------------|---------------------------|
| Cash flows from operating activities:  |               |                            |                   |                           |
| Grant disbursements  | (\$4,747,555) | \$ -                       | \$ -              | (\$4,747,555)             |
| Loan disbursements   | (29,409,981)  | -                          | -                 | (29,409,981)              |
| Repayments received on loans   | 26,423,079    | -                          | -                 | 26,423,079                |
| Interest received on loans   | 6,689,530     | -                          | -                 | 6,689,530                 |
| Administrative fees  | -             | 942,567                    | -                 | 942,567                   |
| EPA set-aside grant  | -             | -                          | 6,099,077         | 6,099,077                 |
| Payments to employees  | -             | -                          | (3,313,706)       | (3,313,706)               |
| Other administrative payments  | -             | -                          | (3,085,876)       | (3,085,876)               |
| Other  | 728,769       | -                          | -                 | 728,769                   |
| Net cash provided (used) by operating activities   | (316,158)     | 942,567                    | (300,505)         | 325,904                   |
| Cash flows from noncapital financing activities:   |               |                            |                   |                           |
| Bond principal retired   | (15,255,000)  | -                          | -                 | (15,255,000)              |
| Interest paid on bonds   | (5,710,571)   | -                          | -                 | (5,710,571)               |
| Environmental Protection Agency grants   | 16,947,832    | -                          | -                 | 16,947,832                |
| Bond issuance costs  | (1,331)       | -                          | -                 | (1,331)                   |
| State of Missouri contribution   | 3,356,200     | -                          | -                 | 3,356,200                 |
| Transfer (to)\from Clean Water Program\State Match Contribution                                | -             | (\$3,356,200)              | -                 | (3,356,200)               |
| Net cash used by noncapital financing activities   | (662,870)     | (3,356,200)                | -                 | (4,019,070)               |
| Cash flows from investing activities:  |               |                            |                   |                           |
| Proceeds from sales and investment maturities  | 3,714,808     | -                          | -                 | 3,714,808                 |
| Investment income  | 894,248       | 34,974                     | -                 | 929,222                   |
| Net cash provided by investing activities  | 4,609,056     | 34,974                     | -                 | 4,644,030                 |
| Increase (decrease) in cash and cash equivalents   | 3,630,028     | (2,378,659)                | (300,505)         | 950,864                   |
| Cash and cash equivalents, beginning of year   | 65,249,274    | 7,365,307                  | -                 | 72,614,581                |
| Cash and cash equivalents, end of year   | \$68,879,302  | \$4,986,648                | (\$300,505)       | \$73,565,445              |
| Cash and cash equivalents consisted of the following:  |               |                            |                   |                           |
| Cash and cash equivalents  | \$68,879,302  | \$4,986,648                | (\$300,505)       | \$73,565,446              |
| Total cash and cash equivalents  | \$68,879,302  | \$4,986,648                | (\$300,505)       | \$73,565,446              |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: |               |                            |                   |                           |
| Operating income (loss)  | \$2,314,127   | \$964,747                  | (\$518,770)       | \$2,760,104               |
| Adjustments to reconcile net operating income (loss) to net cash provided by operations:       |               |                            |                   |                           |
| Depreciation expense   | -             | -                          | 6,800             | 6,800                     |
| (Increase) decrease in deferred outflows pension   | -             | -                          | (1,213,390)       | (1,213,390)               |
| Increase (decrease) in net pension liability   | -             | -                          | 1,674,208         | 1,674,208                 |
| (Increase) decrease in deferred inflows pension  | -             | -                          | (23,890)          | (23,890)                  |
| Changes in assets and liabilities:   |               |                            |                   |                           |
| Decrease in loan interest receivable   | 94,920        | -                          | -                 | 94,920                    |
| Decrease in loans receivable   | (2,986,902)   | -                          | -                 | (2,986,902)               |
| Decrease (increase) in other receivables   | -             | (22,181)                   | (55,357)          | (77,538)                  |
| Increase (decrease) in accounts payable  | 261,697       | -                          | (170,106)         | 91,591                    |
| Net cash provided (used) by operating activities   | \$ (316,158)  | \$ 942,566                 | \$ (300,505)      | \$ 325,903                |

See accompanying notes to the financial statements.

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Statement of Fiduciary Net Position**  
**September 30, 2017**  
**Exhibit 5**

|                                | <u>Agency Fund</u> |
|--------------------------------|--------------------|
| Assets:                        |                    |
| Cash and cash equivalents      | \$ 929,849         |
| Investment interest receivable | <u>171</u>         |
| Total assets                   | <u>930,020</u>     |
| Liabilities:                   |                    |
| Arbitrage rebate payable       | 243,480            |
| Due to other governments       | 270,240            |
| Other payables                 | <u>416,300</u>     |
| Total liabilities              | <u>930,020</u>     |
| Net position                   | <u><u>\$ -</u></u> |

See accompanying notes to the financial statements.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies**

**Reporting Entity**

The Missouri Department of Natural Resources Drinking Water State Revolving Fund (SRF) Program was established pursuant to the Safe Drinking Water Act Amendments of 1996. Section 1452 of this act authorizes the administrator of the U.S. Environmental Protection Agency to establish a Drinking Water SRF Program to assist public water systems with financing the costs of infrastructure needed to achieve or maintain compliance with the SDWA requirements, to protect public health, and to allow states to carry out prevention programs.

The Drinking Water SRF was capitalized by the EPA through a series of grants starting in 1997. For most of the grants, states are required to provide an additional 20 percent of the federal capitalization grant as matching funds. As of Sept. 30, 2017, Congress had authorized EPA to award \$358,330,331 in capitalization grants to the state of Missouri. The state is required to contribute \$64,093,666 in matching funds. This includes \$3,327,400 of state match that is due in the next reporting period.

The program is administered by the department, the Missouri Environmental Improvement and Energy Resources Authority (EIERA), and the Missouri Safe Drinking Water Commission. The EIERA issues bonds or notes to finance qualified projects, and the department receives the capitalization grants from the EPA. The program is comprised of four funds within the state and an agency fund that holds the construction loan funds. The state funds are:

- Water and Wastewater Loan Fund (Fund 0649) – receives the federal capitalization grant funds and uses those funds to make grants and loans;
- Water and Wastewater Loan Revolving Fund (Fund 0602) - receives loan repayments and uses those funds to make new loans;
- Water Pollution Permit Fee Fund (Fund 0568) - receives loan fees charged to borrowers and can be used to pay administration costs of the program; Fund 0568 includes a state match subaccount that funds federal capitalization grant state match; and
- Department of Natural Resources Federal Fund (Fund 0140) - receives federal capitalization grant funds that fund set-aside activities.

The agency fund accounts for the monies held at trustee banks on behalf of the loan participants, as well as the rebate funds held for arbitrage payments.

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

Missouri's statewide Comprehensive Annual Financial Report includes the Drinking Water SRF Program as a special revenue fund, which uses the modified accrual basis of accounting. Due to differences in reporting methods and periods, there may be differences between the amounts reported in these financial statements and the Comprehensive Annual Financial Report. One major difference between the amounts reported in these reports is that the agency fund is not included in the Comprehensive Annual Financial Report but is shown in these financial statements.

**Program Operations**

The program provides financing to participants using three main types of funding: leveraged and reserve loans, direct loans, and grants.

**A. Leveraged and Reserve Loans**

Prior to state fiscal year 2010, the program's main type of financing was through the use of leveraged and reserve loans. Missouri leverages federal and state matching funds by issuing revenue bonds to make loans to qualified communities and by using federal grant and state matching funds to create reserves for the loans. Interest earned on the reserves subsidizes loan interest rates and enhances the security of the loans, which are pledged to repay bond principal and interest. Borrowers, in essence, receive two loans from the SRF: a market-rate loan funded by the revenue bond proceeds that equals project construction costs, and a zero-rate loan funded by capitalization grants and state matching funds that funds the reserves for the bonds. Bond proceeds are deposited to the construction loan accounts, which are held by the trustee bank. As communities draw on these funds to pay construction costs, a percentage of that amount (33.33 percent for bonds issued prior to 2002, 50 percent for bonds issued from 2002-2003, and 70 percent for bonds issued after 2003) is transferred to a reserve account established for each borrower. For loans closed in state fiscal year 2009, the reserve accounts were funded at closing rather than as construction funds were released. Earnings in the reserve account reduce the borrower's net interest payments on the bonds, resulting in the subsidized, blended interest rate on the project loan.

Beginning with bond series 2003C, a portion of the revenue bonds sold to fund the leveraged loans are state match bonds that will be repaid with interest earnings on the loans. The state match bond proceeds are used to fund a portion of the construction loan account, while the reserve account is funded with federal grant and recycled funds.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

**B. Direct Loans**

Direct loans that were closed on prior to state fiscal year 2010 were funded from the Water and Wastewater Loan Revolving Fund. Loan proceeds are deposited to the construction loan accounts, which are held by the trustee bank. As construction costs are incurred, funds are released from the trustee bank to the borrower. The borrower repays the loan by making monthly principal and interest payments to the trustee bank. On the debt service due dates, the trustee bank makes the debt service payment to the program.

During state fiscal year 2010, the program changed how it funds direct loans. Instead of funding the loan up front and holding the funds at a trustee bank, the loan is funded incrementally as construction costs are incurred and funds are requested by the loan recipient. The borrower repays the loan by making quarterly principal and interest payments to the trustee bank. These loans are funded with federal grant and/or recycled funds.

**C. Grants**

Missouri was awarded the American Recovery and Reinvestment Act (ARRA) capitalization grant during state fiscal year 2010. The terms and conditions of the ARRA capitalization grant required that not less than 50 percent of assistance provided be in the form of additional loan subsidies, such as principal forgiveness, negative interest loans or grants. Missouri chose to provide the required additional subsidization through grants. ARRA projects were funded through a combination of 50 percent grant and 50 percent loan with a maximum grant of \$2,000,000 per applicant. Disadvantaged communities were eligible for a 75 percent grant with a 25 percent direct loan. Grant payments were made directly to the recipient as construction costs were incurred.



**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

Terms and conditions of the following capitalization grants require that additional subsidization in the form of principal forgiveness, negative interest rate loans, or grants be provided. Missouri has chosen to provide the additional subsidization through grants. The following table lists the ranges at which additional subsidization is required:

| Federal Fiscal Year | Drinking Water Capitalization Grant | State Fiscal Year Awarded | Minimum       | Maximum       |
|---------------------|-------------------------------------|---------------------------|---------------|---------------|
| 2010                | FS997629-10                         | 2011                      |               | 30.00 percent |
| 2011                | FS997629-11                         | 2012                      |               | 30.00 percent |
| 2012                | FS997629-12                         | 2013                      | 20.00 percent | 30.00 percent |
| 2013                | FS997629-13                         | 2014                      | 20.00 percent | 30.00 percent |
| 2014                | FS997629-14                         | 2014                      | 20.00 percent | 30.00 percent |
| 2015                | FS997629-15                         | 2015                      | 20.00 percent | 30.00 percent |
| 2016                | FS997629-16                         | 2016                      | 20.00 percent | 20.00 percent |
| 2017                | FS997629-17                         | 2017                      | 20.00 percent | 20.00 percent |

**Basis of Accounting**

The financial statements include enterprise funds and a fiduciary fund. The loan, administration fee and set-aside funds are presented as enterprise funds and the agency fund is presented as a fiduciary fund. All funds are maintained on the accrual basis. The enterprise funds are accounted for using the flow of economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred.

All assets, deferred inflows and outflows of resources and liabilities associated with the operations of the enterprise funds are included on the Statement of Net Position. The assets and liabilities of the agency fund are included on the Statement of Fiduciary Net Position.

Drinking Water SRF reports the following major funds:

*Loan Fund.* The loan fund provides financial assistance to municipalities, counties, political subdivisions and instrumentalities of the state. Funding for these loan programs is generated from federal capitalization grants, proceeds of revenue bonds issued to provide required state matching monies, proceeds of revenue bonds issued for the leveraged program, and recycled monies.

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Administration Fee Fund.* This fund accounts for the administration fees received on loans and the use of those fees to pay salaries, associated expenses of program personnel devoting time to the administration of the program and other eligible purposes. During the reporting period state match was transferred from the set-aside fund and was applied to certain grant payments.

*Set-Aside Fund.* The set-aside fund provides monies to establish and implement programs with emphasis on preventing contamination problems through source-water protection and encouraging better system operations. The Drinking Water SRF Program allows states to reserve up to 31 percent of the capitalization grant to use towards administration and technical assistance, small system technical assistance, public water system supervision program management and local assistance and other state programs. In 2017, the department reserved 31 percent of the federal fiscal year 2017 grant for set-aside activities.

In addition, the program reports the following fund type:

*Agency Fund.* This fund accounts for monies held on behalf of municipalities, counties, political subdivisions, and instrumentalities of the state. This fund includes the funds generated by the sale of the bonds on behalf of loan participants, which are deposited with a trustee bank in the applicant's name. The agency fund also includes rebate funds held for arbitrage payments.

**Cash, Cash Equivalents and Investments**

**A. Enterprise Funds**

All monies in the state funds (funds 0140, 0568, 0602, and 0649) are required to be deposited with the Missouri State Treasurer's Office, which is responsible for maintaining the deposits in accordance with state law. The program considers all such deposits to be cash. Investment interest earnings on these deposits are received by the program periodically throughout the month.

According to state law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the program, as further discussed in Note 2. Consequently, management of the program does not have any control over the investment of the excess cash. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

Monies of the enterprise funds that are held at the trustee bank are invested in either money market mutual funds, guaranteed investment contracts, or state and local government series securities by the trustee bank. The money market mutual funds are considered to be cash or cash equivalents. The securities are longer term investments and are stated at fair value. The contracts are stated at cost as they are not negotiable or transferable and are not affected by market fluctuations. The enterprise funds do not include monies held at trustee banks on behalf of the loan participants. Those monies are accounted for under the agency fund.

**B. Agency Fund**

The agency fund accounts for the monies held at trustee banks on behalf of the loan participants, as well as the rebate funds held for arbitrage payments. The program considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Operating Revenues and Expenses**

Revenues and expenses as a result of providing loans and grants to participants are considered operating revenues and expenses. Operating revenues include interest earned on loans, administration fee revenue, and operating grants. Operating expenses include grant payments and accruals, salaries, benefits, and other administrative expenses.

The non-operating revenues and expenses of the program are investment income, EPA capitalization grant revenues and bond related expenses.

**Administrative Fees**

The program charges an administrative fee to borrowers to fund administrative costs of operating the program. The program's administrative expenses are currently paid with grant set-aside funds instead of with funds from the administration fee fund. During the reporting period ending Sept. 30, 2017, \$942,567 was collected for administration fees from borrowers and \$34,974 of investment interest was received. The cash balance of the administration fee fund was \$4,986,648 as of Sept. 30, 2017.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri State Employees' Retirement System (MOSERS) and additions to and deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Bonds Payable**

Bonds issued prior to 2010 are special limited obligations of EIERA, payable from borrower loan repayments and a reserve account established for each borrower in accordance with a master trust agreement. Interest expense is reported on the accrual basis. Due to the flow-through effect of the bonds and related receivables, bond discounts, premiums and issuance costs are not reported by the program since they represent the costs of the borrowers.

Borrowers make monthly payments to debt service repayment accounts, which also earn interest that further subsidizes the interest rates. On bond payment dates, transfers are made from the repayment accounts to the debt service funds to make the semi-annual interest payments and annual bond principal payments. Interest earnings on the construction loan accounts and reserve accounts are also transferred to the debt service funds on the bond payment dates. These interest earnings reduce the amount that is needed from the repayment accounts.

As outstanding bond principal is reduced, a proportional amount is released from the reserve account. The released amounts flow to the master trust unallocated fund, and, if there are no defaults, are transferred to the Water and Wastewater Loan Revolving Fund to be used to make new loans.

Bonds issued since 2010 are different than previous issues. There is no longer a direct link between the bonds and the loans. Any premium or cost of issuing the bonds is no longer passed on to the loan borrower. Therefore, those amounts are reported on the program's financial statements.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense or expenditure) until then. The program only has two items that qualify for reporting in this category. Those are the deferred charge on refunding and the deferred outflows for pension reported in the statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The program has one item that qualifies for reporting in this category, which is deferred inflows for pension.

**Pending Governmental Accounting Standards Board Statements**

**GASB Statement No. 81**

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued March 2016. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. The requirements of this statement are effective for periods beginning after Dec. 15, 2016.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

GASB Statement No. 82

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, was issued March 2016. The objective of this statement is to address certain issues that have been raised with respect to statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an actuarial standard of practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued Nov. 2016. This statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84

GASB Statement No. 84, *Fiduciary Activities*, was issued January 2017. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.



**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2018.

GASB Statement No. 85

GASB Statement No. 85, *Omnibus 2017*, was issued March 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued May 2017. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87

GASB Statement No. 87, *Leases*, was issued June 2017. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after Dec. 15, 2019.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2: Cash, Cash Equivalents, and Investments**

**State Funds**

All cash in the state funds (Funds 0140, 0568, 0602, and 0649) is required to be deposited with the state treasurer, who is responsible for maintaining and investing the pooled cash balances in accordance with state laws. The treasurer is required to maintain a mix of investments in order to allow funds to be withdrawn at any time to meet normal operating needs. The program's share of the investment income from the local government investment pool is based on the average daily balance for the period and is credited to the program periodically throughout the month.

The treasurer has its own policies for custodial credit risk, interest rate risk, credit risk, concentration of credit risk and foreign currency risk. Details of the investments and risks can be obtained from the state treasurer's office.

All cash and investments in the local investment pool are stated at cost, which approximates fair value. The investments in the local government investment pool are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

**Trustee Bank Funds**

All cash and investments held by trustee banks are invested in accordance with the trustee investment agreement and the bond indentures. Allowable investments include:

- Federal securities.
- Direct and general obligations of the state which are pledged by the full faith and credit of the state and are rated in either of the two highest rating categories.
- Deposits at banks, trust companies or savings and loan associations which are fully insured by FDIC.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 2: Cash, Cash Equivalents, and Investments (continued)**

- Federal funds, unsecured certificates of deposit, time deposits and banker acceptances (having maturities of not more than 365 days) of any bank and which are rated in the highest short term rating category.
- Unsecured promissory notes of any bank, trust company, national banking association or bank holding company equal to such institution's outstanding unsecured long term debt that is rated in the highest rating category.
- Tax exempt permitted investments.
- Any other investment agreement with a provider that is rated, or whose unsecured, long term obligations are rated at least "Aa2" or equivalent, or with a provider whose obligations are guaranteed by a guarantor which is rated, or whose unsecured, long term obligations are rated at least "Aa2" or equivalent.
- Commercial paper issued by domestic corporations rated in the second highest short term rating category.
- Shares in money market mutual funds rated in the highest applicable rating category.

A. Custodial credit risk. This is the risk that, in the event of the failure of the counterparty, the program will not be able to recover the value of its deposits or investments. There are no cash and cash equivalents held by the trustee banks that were exposed to custodial credit risk. Also, no cash and cash equivalents were invested in money market mutual funds.

As of Sept. 30, 2017, the loan fund had the following investments:

| Investment Type                | Fair Value   | Investment Maturities |             |             |
|--------------------------------|--------------|-----------------------|-------------|-------------|
|                                |              | <1 Year               | 1-5 Years   | >5 Years    |
| Guaranteed Investment          | \$916,575    | \$916,575             | \$0         | \$0         |
| Gov't Agency & State and Local | \$11,079,654 | \$2,487,728           | \$1,784,208 | \$6,807,718 |
|                                | \$11,996,229 | \$3,404,303           | \$1,784,208 | \$6,807,718 |

- B. Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the investment's fair value. The program does not have a policy to address interest rate risk.
- C. Credit risk. The trustee banks are responsible for monitoring credit risk as it relates to the types of investments that can be made in accordance with the trustee investment agreement. The program has no investment policy that further limits its investment choices.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 2: Cash, Cash Equivalents, and Investments (continued)**

D. Concentration of credit risk. The program places no limit on the amount that may be invested with any one issuer. The percent of total investments held by each provider as of Sept. 30, 2017 is as follows:

| Investment Issuer                    | Fair Value | Percent of Total |
|--------------------------------------|------------|------------------|
| Westdeutsche Landesbank Girozentrale | \$916,575  | 100%             |

**Note 3: Loans Receivable**

Loans receivable consist of three types: leveraged loans, reserve loans, and direct loans. Leveraged loans are funded by the sale of revenue bonds, the proceeds of which are deposited to a construction loan fund. Borrowers are loaned funds from the construction loan fund to pay for construction costs incurred. The terms of the loans mirror the terms of the bonds in order to provide the funds to pay bond interest and principal according to the terms of the bonds. In conjunction with the leveraged loan that funds construction, a reserve loan is made to provide an interest subsidy to the borrower and to provide security for bond principal and interest.

With direct loans, there is no bond sale directly related to the loan. The loans are funded directly from the federal capitalization grant or recycled monies.

The following details the three types of loans as of Sept. 30, 2017:

| Loan Type                                | Loan Amount<br>Authorized | Outstanding<br>Balance |
|--|---------------------------|------------------------|
| Leveraged Loans                          | \$250,735,000             | \$92,810,000           |
| Reserve Loans                            | 133,403,148               | 55,804,424             |
| Direct Loans                             | <u>178,752,700</u>        | <u>120,507,877</u>     |
| Totals                                   | <u>\$562,890,848</u>      | \$269,122,301          |
| Less Current Maturities                  |                           | <u>25,598,818</u>      |
| Loans Receivable, Net of Current Portion |                           | <u>243,523,483</u>     |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 3: Loans Receivable (continued)**

Loans receivable activity during the year ended Sept. 30, 2017 is summarized as follows:

|                    | 9/30/2016            |                     |                       | 9/30/2017            |
|--------------------|----------------------|---------------------|-----------------------|----------------------|
| Type of Loan       | Balance              | Disbursements       | Repayments            | Balance              |
| Direct Loans       | \$96,563,038         | \$29,409,981        | \$(5,465,142)         | \$120,507,877        |
| Leveraged<br>Loans | 106,595,000          | 0                   | (13,785,000)          | 92,810,000           |
| Reserve Loans      | 62,977,361           | 0                   | (7,172,937)           | 55,804,424           |
|                    | <u>\$266,135,399</u> | <u>\$29,409,981</u> | <u>\$(26,423,079)</u> | <u>\$269,122,301</u> |

**Loan Maturities**

The scheduled principal payments in subsequent years are as follows:

| Year Ending Sept 30 | Direct Loans         | Leveraged Loans     | Reserve Loans       | Total                |
|---------------------|----------------------|---------------------|---------------------|----------------------|
| 2018                | \$6,536,529          | \$12,395,000        | \$6,667,289         | \$25,598,818         |
| 2019                | 7,294,398            | 13,095,000          | 6,950,449           | 27,339,847           |
| 2020                | 7,447,598            | 12,415,000          | 6,907,373           | 26,769,971           |
| 2021                | 7,585,900            | 11,535,000          | 6,600,010           | 25,720,910           |
| 2022                | 7,689,537            | 10,710,000          | 6,408,668           | 24,808,205           |
| 2023-2027           | 37,785,944           | 30,925,000          | 21,056,135          | 89,767,079           |
| 2028-2032           | 35,669,528           | 1,735,000           | 1,214,500           | 38,619,028           |
| 2033-2037           | 10,498,443           | 0                   | 0                   | 10,498,443           |
| Total               | <u>\$120,507,877</u> | <u>\$92,810,000</u> | <u>\$55,804,424</u> | <u>\$269,122,301</u> |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 3: Loans Receivable (continued)**

**Loans to Major Local Recipients**

As of Sept. 30, 2017, the program had made loans to seven agencies that account for approximately 50 percent of the total loans receivable. The outstanding balances of the loans for these agencies are as follows:

| <u>Borrower</u>                  | <u>Original<br/>Amount</u> | <u>Outstanding<br/>Balance</u> | <u>Reserve<br/>Balance</u> |
|----------------------------------|----------------------------|--------------------------------|----------------------------|
| Cape Girardeau                   | \$27,495,000               | \$690,000                      | \$0                        |
| Clarence Cannon WWC              | 23,980,000                 | 11,793,200                     | 4,187,126                  |
| Hannibal                         | 12,960,000                 | 10,797,345                     | 0                          |
| Jefferson County Water Authority | 20,167,000                 | 9,238,200                      | 3,589,193                  |
| Monett                           | 13,012,000                 | 9,103,000                      | 0                          |
| Osage Beach                      | 33,210,000                 | 13,225,000                     | 7,058,763                  |
| Tri-County Water Authority       | <u>76,427,000</u>          | <u>49,246,577</u>              | <u>15,886,594</u>          |
| Total                            | \$207,251,000              | \$104,093,322                  | \$30,721,676               |

**Note 4: Bonds Payable**

The Missouri Drinking Water SRF Program issues revenue bonds as well as using federal capitalization grants and state matching funds to finance qualified projects. Bonds payable and loans receivable are recorded in the loan fund. Cash and project costs payable are recorded in the agency fund. For bond series 2008A, the reserves were fully funded on the day of bond closing, rather than being funded incrementally as construction funds are released. Interest earned on the construction loan fund and the reserve fund subsidizes the interest on the borrower's loan. As borrowers repay the loans, the interest and principal serve as the source of funds to pay bond principal and interest.

Beginning with bond series 2004C, state match bonds were issued by the EIARA in addition to leveraged bonds. Proceeds from both the state match bonds and the leveraged bonds are deposited into the borrowers' accounts at the trustee bank. The reserves for the leveraged bonds are then funded by federal capitalization grants or recycled funds.

In state fiscal year 2011, revenue bond series 2010B was issued. Proceeds of this bond sale went to the recycled fund to provide additional funding for new loans. In state fiscal year 2015, state match revenue bond series 2015A was issued by EIARA. Proceeds from this bond sale were also deposited into the recycled fund to provide funding for new loans. These bond sales are different from previous bonds in that they were to provide additional funding that can be used to fund any loan being funded with recycled monies.



**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 4: Bonds Payable (continued)**

The principal and interest repayments on the program's direct loans have been pledged to make the principal and interest repayments on the bonds.

In addition to revenue bonds, there have been three state match general obligation bond issues. The state issued series A2002 to provide state match funding. In July 2010, the state issued series A2010, which partially refunded series A2002. In Sept. 2012, the state issued series A2012 which refunded the rest of series A2002.

As of Sept. 30, 2017, 25 separate revenue bond series remain outstanding, which have a total principal balance of \$105,473,600. The individual series, outstanding balances, and principal due included:

| Series   | Amount Issued | Outstanding Balance | Current Portion | Effective Rate to Community |
|--|---------------|---------------------|-----------------|-----------------------------|
| Revenue Bond Series 1998B<br>interest of 3.45% to 5.25% due semi-annually, principal due annually to January 2019. | \$28,795,000  | \$13,600            | \$15,000        | 3.08                        |
| Revenue Bond Series 1999B<br>interest of 4.125% to 5.75% due semi-annually, principal due annually to July 2020.   | 4,320,000     | 60,000              | 30,000          | 3.57                        |
| Revenue Bond Series 2000A<br>interest of 4.6% to 5.75% due semi-annually, principal due annually to July 2020.     | 20,490,000    | 115,000             | 80,000          | 3.51                        |
| Revenue Bond Series 2000B<br>interest of 4.5% to 5.625% due semi-annually, principal due annually to July 2021.    | 6,810,000     | 95,000              | 40,000          | 3.37                        |
| Revenue Bond Series 2001A<br>interest of 4.0% to 5.0% due semi-annually, principal due annually to January 2022.   | 6,295,000     | 75,000              | 25,000          | 2.93                        |
| Revenue Bond Series 2001C<br>interest of 3.0% to 5.375% due semi-annually, principal due annually to July 2023.    | 23,400,000    | 2,805,000           | 1,630,000       | 3.45                        |
| Revenue Bond Series 2002A<br>interest of 2.0% to 5.375% due semi-annually, principal due annually to January 2023. | 10,370,000    | 360,000             | 100,000         | 2.43                        |
| Revenue Bond Series 2002B<br>interest of 2.0% to 5.50% due semi-annually, principal due annually to July 2023.     | 26,705,000    | 595,000             | 210,000         | 2.43                        |

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 4: Bonds Payable (continued)**

| Series  | Amount Issued | Outstanding Balance | Current Portion | Effective Rate to Community |
|---|---------------|---------------------|-----------------|-----------------------------|
| Revenue Bond Series 2003B<br>interest of 2.0% to 5.125% due semi-annually, principal due annually to January 2024.              | 11,445,000    | 480,000             | 105,000         | 2.18                        |
| Revenue Bond Series 2003C<br>interest of 2.0% to 5.0% due semi-annually, principal due annually to July 2023.                   | 11,290,000    | 215,000             | 65,000          | 1.70                        |
| 2003C Leveraged Portion   | 9,795,000     | 10,000              | 0               |                             |
| 2003C State Match Portion   | 1,495,000     | 205,000             | 65,000          |                             |
| Revenue Bond Series 2004A<br>interest of 2.0% to 5.0% due semi-annually, principal due annually to July 2021. (Refunding Bonds) | 17,325,000    | 5,925,000           | 1,920,000       | n/a                         |
| Revenue Bond Series 2004B<br>interest of 2.0% to 5.25% due semi-annually, principal due annually to January 2024.               | 3,605,000     | 2,065,000           | 285,000         | 1.63                        |
| 2004B Leveraged Portion   | 2,950,000     | 1,905,000           | 245,000         |                             |
| 2004B State Match Portion   | 655,000       | 160,000             | 40,000          |                             |
| Revenue Bond Series 2004C<br>interest of 3.0% to 5.25% due semi-annually, principal due annually to January 2026.               | 9,720,000     | 1,730,000           | 60,000          | 1.63                        |
| 2004C Leveraged Portion   | 7,865,000     | 1,360,000           | 0               |                             |
| 2004C State Match Portion   | 1,855,000     | 370,000             | 60,000          |                             |
| Revenue Bond Series 2005A<br>interest of 3.0% to 5.0% due semi-annually, principal due annually to July 2025.                   | 28,105,000    | 1,775,000           | 365,000         | 1.77                        |
| 2005A Leveraged Portion   | 22,745,000    | 415,000             | 80,000          |                             |
| 2005A State Match Portion   | 5,360,000     | 1,360,000           | 285,000         |                             |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 4: Bonds Payable (continued)**

| Series  | Amount Issued | Outstanding<br>Balance | Current Portion | Effective Rate to<br>Community |
|---|---------------|------------------------|-----------------|--------------------------------|
| Revenue Bond Series 2005C<br>interest of 3.25% to 5.25% due<br>semi-annually, principal due<br>annually to July 2026.                     | 29,780,000    | 5,405,000              | 310,000         | 1.34                           |
| 2005C Leveraged Portion   | 23,930,000    | 3,570,000              | 0               |                                |
| 2005C State Match Portion   | 5,850,000     | 1,835,000              | 310,000         |                                |
| Revenue Bond Series 2006A<br>interest of 3.6% to 5.25% due semi-<br>annually, principal due annually to<br>July 2026.                     | 2,000,000     | 300,000                | 100,000         | 1.55                           |
| 2006A Leveraged Portion   | 1,610,000     | 205,000                | 80,000          |                                |
| 2006A State Match Portion   | 390,000       | 95,000                 | 20,000          |                                |
| Revenue Bond Series 2006B<br>interest of 4.0% to 5.0% due semi-<br>annually, principal due annually to<br>July 2027.                      | 2,295,000     | 195,000                | 30,000          | 1.58                           |
| 2006B Leveraged Portion   | 1,960,000     | 75,000                 | 10,000          |                                |
| 2006B State Match Portion   | 335,000       | 120,000                | 20,000          |                                |
| Revenue Bond Series 2007B<br>interest of 4.0% to 5.0% due semi-<br>annually, principal due annually to<br>January 2026.                   | 385,000       | 30,000                 | 25,000          | 1.51                           |
| Revenue Bond Series 2008A<br>interest of 4.0% to 5.75% due semi-<br>annually, principal due annually to<br>January 2029.                  | 10,805,000    | 2,130,000              | 500,000         | 1.63                           |
| 2008A Leveraged Portion   | 9,255,000     | 1,420,000              | 405,000         |                                |
| 2008A State Match Portion   | 1,550,000     | 710,000                | 95,000          |                                |
| Revenue Bond Series 2010A<br>interest of 2.0% to 5.0% due semi-<br>annually, principal due annually to<br>January 2024. (Refunding Bonds) | 35,920,000    | 17,645,000             | 3,885,000       | n/a                            |

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 4: Bonds Payable (continued)**

| Series   | Amount<br>Issued | Outstanding<br>Balance | Current Portion | Effective Rate to<br>Community |
|--|------------------|------------------------|-----------------|--------------------------------|
| Revenue Bond Series 2010B<br>interest of 2.0% to 5.0% due semi-<br>annually, principal due annually to<br>July 2030.                           | 12,605,000       | 4,670,000              | 630,000         | n/a                            |
| 2010B Leveraged Portion  | 7,860,000        | 2,240,000              | 290,000         |                                |
| 2010B State Match Portion  | 4,745,000        | 2,430,000              | 340,000         |                                |
| Revenue Bond Series 2011A<br>interest of 2.0% to 5.0% due semi-<br>annually, principal due annually to<br>January 2024.<br>(Refunding Bonds)   | 10,480,000       | 7,620,000              | 875,000         | n/a                            |
| Revenue Bond Series 2013A<br>Interest of 2.0% to 5.0% due<br>semi-annually, principal due<br>annually to January 2027.<br>(Refunding Bonds)    | 35,630,000       | 28,210,000             | 2,970,000       | n/a                            |
| Revenue Bond Series 2015A<br>Interest of 1.5% to 5.0% due semi-<br>annually, principal due semi-<br>annually to January 2036. (State<br>Match) | 5,975,000        | 4,815,000              | 445,000         | n/a                            |
| Revenue Bond Series 2015B<br>interest of 3.5% to 5.0% due semi-<br>annually, principal due annually to<br>July 2030.<br>(Refunding Bonds)      | 19,565,000       | 18,145,000             | 555,000         |                                |
| 2015B Leveraged Portion  | 18,905,000       | 17,580,000             | 460,000         | n/a                            |
| 2015B State Match Portion  | 660,000          | 565,000                | 95,000          |                                |
| Total Leveraged Bonds  | \$345,245,000    | \$92,808,600           | \$13,480,000    |                                |
| Total State Match Bonds  | 28,870,000       | 12,665,000             | 1,775,000       |                                |
| Premium on Bonds   |                  | 8,786,163              | 1,351,878       |                                |
| Total Revenue Bonds  | \$374,115,000    | \$114,259,763          | \$16,606,878    |                                |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 4: Bonds Payable (continued)**

Bond activity during the year ended Sept. 30, 2017 is summarized as follows:

|                         | 9/30/2016<br>Balance | Repayments            | New Issues | 9/30/2017<br>Balance |
|-------------------------|----------------------|-----------------------|------------|----------------------|
| Leveraged Program Bonds | \$106,288,600        | \$(13,480,000)        | \$0        | \$92,808,600         |
| State Match Bonds       | 14,440,000           | (1,775,000)           | 0          | 12,665,000           |
| Premium on Bonds        | 10,138,040           | (1,351,878)           | 0          | 8,786,163            |
| Total                   | <u>\$130,866,640</u> | <u>\$(16,606,878)</u> | <u>\$0</u> | <u>\$114,259,763</u> |

The required annual payments, not including premium and deferred amounts, for all revenue bonds in subsequent fiscal years are as follows:

**Leveraged Bonds**

| <b>Year Ending<br/>Sept 30</b> | <b>Principal</b>    | <b>Interest</b>     | <b>Total</b>         |
|--------------------------------|---------------------|---------------------|----------------------|
| 2018                           | \$13,863,600        | \$ 4,370,387        | \$ 18,233,987        |
| 2019                           | 10,700,000          | 3,728,020           | 14,428,020           |
| 2020                           | 11,715,000          | 3,158,746           | 14,873,746           |
| 2021                           | 10,920,000          | 2,590,091           | 13,510,091           |
| 2022                           | 10,725,000          | 2,048,518           | 12,773,518           |
| 2023-2027                      | 31,740,000          | 3,931,941           | 35,671,941           |
| 2028-2032                      | 3,145,000           | 158,681             | 3,303,681            |
| Total                          | <u>\$92,808,600</u> | <u>\$19,986,384</u> | <u>\$112,794,984</u> |

**Match Bonds**

| <b>Year Ending<br/>Sept 30</b> | <b>Principal</b>    | <b>Interest</b>    | <b>Total</b>        |
|--------------------------------|---------------------|--------------------|---------------------|
| 2018                           | \$ 1,680,000        | \$ 569,829         | \$ 2,249,829        |
| 2019                           | 1,615,000           | 493,479            | 2,108,479           |
| 2020                           | 1,510,000           | 416,504            | 1,926,504           |
| 2021                           | 1,390,000           | 350,445            | 1,740,445           |
| 2022                           | 1,250,000           | 289,849            | 1,539,849           |
| 2023-2027                      | 3,850,000           | 711,953            | 4,561,953           |
| 2028-2032                      | 1,150,000           | 125,919            | 1,275,919           |
| 2033-2037                      | 220,000             | 12,488             | 232,488             |
| Total                          | <u>\$12,665,000</u> | <u>\$2,970,466</u> | <u>\$15,536,466</u> |

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 4: Bonds Payable (continued)**

**Advance Refundings**

Five separate refunding bond series (Series 2004A, 2010A, 2011A, 2013A and 2015B) totaling \$99,355,000 have been issued to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in irrevocable trusts for the purpose of generating resources for future debt service payments of \$104,592,450 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the Statement of Net Position. As of Sept. 30, 2017, the amount of refunded bonds that had yet to be called totaled \$9,290,000.

**Note 5: Arbitrage Rebate**

In accordance with Internal Revenue Code Section 148(f) relating to arbitrage restrictions on tax-exempt bonds, an arbitrage rebate payable in the amount of \$243,480 has been recorded. This liability is cumulative for the Series 2007A bonds. The portion of this pending rebate of excess investment earnings that is attributable to each series is due no later than 60 days after each installment computation date. The next installment computation date for this series is the earlier of January 1, 2018 or date the last Bond is paid.

**Note 6: Pension Plan**

**Plan Description**

Benefit eligible employees of the department are provided with pensions through Missouri State Employees' Plan (MSEP) - a cost-sharing multiple-employer defined benefit pension plan administered by MOSERS. The plans are referred to as MOSERS in the notes. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at [www.mosers.org](http://www.mosers.org).

**Benefits Provided**

MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS



**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 6: Pension Plan (continued)**

(MSEP, MSEP 2000, and MSEP 2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 44.

**Contributions**

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP 2011 Plan are required to contribute 4.0 percent of their annual pay. The agency's required contribution rate for the year ended June 30, 2017, was 16.97 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2016, was 16.97 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Drinking Water SRF program were \$383,339 for the fiscal year ended June 30, 2017.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, a liability was reported of \$4,886,362 for the Drinking Water SRF program's proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Drinking Water SRF program's proportion of the net pension liability was based on the department's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2016. At the June 30, 2016 measurement date, the Drinking Water SRF program's proportion was 0.1136 percent, an increase from its proportion measured using 0.1032 percent as of June 30, 2015, measurement date.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2016, that affected the measurement of total pension liability.

**Missouri Department of Natural Resources**  
**Drinking Water State Revolving Fund**  
**Notes to the Financial Statements – Unaudited**  
**Exhibit 6**

**Note 6: Pension Plan (continued)**

For the year ended June 30, 2017, the Drinking Water SRF program recognized pension expense of \$814,500. At June 30, 2017, the Drinking Water SRF program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$55,762                          | \$15,819                         |
| Changes of assumptions  | 563,739                           | 32,544                           |
| Net difference between projected and actual earnings on pension plan investments                                    | 884,650                           | 0                                |
| Changes in proportion and differences between DW SRF Program contributions and proportionate share of contributions | 0                                 | 5,491                            |
| DW SRF Program contributions subsequent to the measurement date of 6-30-16  | 377,572                           | 0                                |
| <b>Total</b>  | <b>\$1,881,723</b>                | <b>\$53,854</b>                  |

\$377,572 reported as deferred outflows of resources related to pensions resulting from Drinking Water SRF program contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred (outflows) of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Drinking Water SRF program's fiscal year following MOSERS' fiscal year as follows:

Plan Year ending June 30:

|            |                     |
|------------|---------------------|
| 2018       | (\$372,563)         |
| 2019       | (372,605)           |
| 2020       | (550,415)           |
| 2021       | (154,714)           |
| 2022       | 0                   |
| Thereafter | 0                   |
|            | <hr/> (\$1,450,297) |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 6: Pension Plan (continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 actuarial valuation, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.5%  |
| Salary Increases          | 3.25% to 8.75% including inflation  |
| Wage Inflation            | 3.0%  |
| Investment Rate of Return | 7.65%, compounded annually, net after investment expenses and including inflation |

Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. As a result of this actuarial experience study, the MOSERS Board made various demographic and economic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8 percent to 7.65 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2016 are summarized in the following table:

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 6: Pension Plan (continued)**

| Asset Class     | Policy Allocation | Long-term Expected Real Rate of Return * | Weighted Average Long-Term Expected Real Rate of Return |
|-----------------|-------------------|--|---|
| Beta Balanced   | 80.0%             | 5.7%                                     | 4.6%  |
| Illiquids<br>** | <u>20.0%</u>      | 7.3%                                     | <u>1.5%</u>   |
|                 | 100.0%            |  | 6.1%  |

\* Represent best estimates of geometric rates of return for each major asset class included.

\*\* Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the DW SRF Programs Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Drinking Water SRF program's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the Drinking Water SRF program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

|   | 1% Decrease<br>(6.65%) | Current<br>Discount Rate<br>(7.65%) | 1% Increase<br>(8.65%) |
|---|------------------------|-------------------------------------|------------------------|
| Drinking Water SRF Program's proportionate share of the net pension liability | \$6,943,229            | \$5,272,959                         | \$3,872,582            |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 6: Pension Plan (continued)**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial reports.

**Payables to the pension plan**

As of June 30, 2017, the Drinking Water SRF program had payables of \$18,335 to MOSERS because of benefits accrued for the Sept. 16 payroll that is not paid until after this reporting period, but earned during the reporting period.

**Note 7: Net Position**

The net position of the program is all restricted. The program's enabling legislation and related regulations require that all money in the fund be used only for purposes of the program. The program is capitalized by grants from the EPA, authorized by Section 1452 of the Safe Drinking Water Act, and matching funds from the state of Missouri. As of Sept. 30, 2017, the EPA has awarded capitalization grants totaling \$358,330,331 of which \$317,984,066 has been drawn. During 2013, \$18,500,000 of capitalization grant funds were transferred to the Clean Water SRF program. The in-kind amounts of \$1,444 on the FS997629-00, \$100,000 for each FS997629-06 and FS997629-08 grant, and \$74,397 for the FS997629-11 grant are not available to be drawn. The adjusted award amount after subtracting the transfer and in-kind amounts totaled \$339,554,490. Also, in 2014, \$5,000 was rescinded from the grant.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 7: Net Position (continued)**

The following summarizes the capitalization grants awarded, amounts drawn on each grant, and balances available:

| Grant ID    | Grant Amount* | Total Draws<br>Sept 30, 2016 | 2017<br>Draws | Total Draws<br>Sept 30, 2017 | Available<br>Sept 30, 2017 |
|-------------|---------------|------------------------------|---------------|------------------------------|----------------------------|
| FS997629-97 | \$21,856,417  | \$21,856,417                 | \$0           | \$21,856,417                 | \$0                        |
| FS997629-98 | 9,572,970     | 9,572,970                    | 0             | 9,572,970                    | 0                          |
| FS997629-99 | 10,034,771    | 10,034,771                   | 0             | 10,034,771                   | 0                          |
| FS997629-00 | 10,428,256    | 10,428,256                   | 0             | 10,428,256                   | 0                          |
| FS997629-01 | 10,472,900    | 10,472,900                   | 0             | 10,472,900                   | 0                          |
| FS997629-02 | 11,702,600    | 11,702,600                   | 0             | 11,702,600                   | 0                          |
| FS997629-03 | 11,633,700    | 11,633,700                   | 0             | 11,633,700                   | 0                          |
| FS997629-04 | 12,066,800    | 12,066,800                   | 0             | 12,066,800                   | 0                          |
| FS997629-05 | 12,041,273    | 12,041,273                   | 0             | 12,041,273                   | 0                          |
| FS997629-06 | 15,878,200    | 15,878,200                   | 0             | 15,878,200                   | 0                          |
| FS997629-07 | 12,578,000    | 12,578,000                   | 0             | 12,578,000                   | 0                          |
| FS997629-08 | 10,616,000    | 10,616,000                   | 0             | 10,616,000                   | 0                          |
| FS997629-09 | 10,616,000    | 10,616,000                   | 0             | 10,616,000                   | 0                          |
| FS997629-10 | 21,434,000    | 21,434,000                   | 0             | 21,434,000                   | 0                          |
| 2F977082-01 | 37,862,000    | 37,862,000                   | 0             | 37,862,000                   | 0                          |
| FS997629-11 | 18,129,603    | 18,129,603                   | 0             | 18,129,603                   | 0                          |
| FS997629-12 | 17,348,000    | 17,348,000                   | 0             | 17,348,000                   | 0                          |
| FS997629-13 | 16,277,000    | 16,277,000                   | 0             | 16,277,000                   | 0                          |
| FS997629-14 | 17,850,000    | 17,850,000                   | 0             | 17,850,000                   | 0                          |
| FS997629-15 | 17,738,000    | 6,537,144                    | 11,198,992    | 17,736,136                   | 1,864                      |
| FS997629-16 | 16,781,000    | 0                            | 11,849,440    | 11,849,440                   | 4,931,560                  |
| FS997629-17 | 16,637,000    | 0                            | 0             | 0                            | 16,637,000                 |
|             | \$339,554,490 | \$294,935,634                | \$23,048,432  | \$317,984,066                | \$21,570,424               |

\*This table reflects adjusted Grant Amounts as detailed in the paragraph above.

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 7: Net Position (continued)**

As of Sept. 30, 2017, state matching contributions were as follows:

|                                   | Sept 30, 2016       | 2017 Contribution  | Sept 30, 2017       |
|-----------------------------------|---------------------|--------------------|---------------------|
| State Appropriations              | \$15,504,549        | \$0                | \$15,504,549        |
| State Match Bonds (sold by EIERA) | 31,273,200          | 0                  | 31,273,200          |
| State Match Administration        | 3,547,600           | 3,356,200          | 6,903,800           |
| Fee Rural Water Grants            | 7,085,242           |                    | 7,085,242           |
| Total State Match                 | <u>\$57,410,591</u> | <u>\$3,356,200</u> | <u>\$60,766,791</u> |

The state match bonds sold by EIERA are being repaid with Drinking Water SRF interest earnings and are not contributions to fund equity. The state match provided by the Rural Water Grants are not contributions to fund equity as these grants were funded by proceeds from Missouri state bond sales prior to 2012. The state match from administration fees is a contribution to loan fund equity.

**Note 8: Set-Aside Costs**

The Federal Safe Drinking Water Act allows states to reserve, or “set aside” up to 31 percent of the capitalization grant to implement and maintain activities to help public water systems provide safe drinking water to the public. The Safe Drinking Water Act establishes four categories of set-asides and sets a maximum amount for each. In state fiscal year 2017, the department reserved 31 percent of the federal fiscal year 2017 grant for set-aside activities.

**Set-Aside Capitalization Grant Balances**

The following capitalization grants have balances available to draw for set-aside activities that are detailed by set-aside category of available funding.

| Grant | Program Administration and Technical Assistance | Small System Technical Assistance | Public Water System Supervision | Local Assistance and Other State Programs | Total Funds Available |
|-------|---|-----------------------------------|---------------------------------|---|-----------------------|
| 2015  | \$0   | \$1,864                           | \$0                             | \$0                                       | \$1,864               |
| 2016  | 299,931   | 260,346                           | 1,191,882                       | 1,467,584                                 | 3,219,743             |
| 2017  | 665,480   | 332,740                           | 1,663,700                       | 2,495,550                                 | 5,157,470             |
| Total | <u>\$965,411</u>                                | <u>\$594,950</u>                  | <u>\$2,855,582</u>              | <u>\$3,963,134</u>                        | <u>\$8,379,077</u>    |



**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 8: Set-Aside Costs (continued)**

**Set-Aside Federal Draws**

The table below identifies the total amounts drawn from each of the capitalization grants for set-aside activities as of Sept. 30, 2017:

| Grant        | Program Administration and Technical Assistance | Small Systems Technical Assistance | Public Water System Supervision | Local Assistance and Other State Programs | Total Set-Aside     |
|--------------|---|------------------------------------|---------------------------------|---|---------------------|
| 1997         | \$874,304                                       | \$436,780                          | \$1,435,760                     | \$1,834,798                               | \$4,581,642         |
| 1998         | 382,996   | 191,227                            | 956,241                         | 0   | 1,530,464           |
| 1999         | 401,416   | 200,704                            | 1,003,034                       | 0   | 1,605,154           |
| 2000         | 350,092   | 207,835                            | 1,043,573                       | 0   | 1,601,500           |
| 2001         | 414,990   | 209,110                            | 1,043,225                       | 0   | 1,667,325           |
| 2002         | 133,446   | 110,994                            | 826,088                         | 443,559                                   | 1,514,087           |
| 2003         | 454,980   | 227,490                            | 1,137,450                       | 568,725                                   | 2,388,645           |
| 2004         | 482,672   | 241,336                            | 1,206,680                       | 603,340                                   | 2,534,028           |
| 2005         | 481,652   | 240,777                            | 1,204,130                       | 1,204,152                                 | 3,130,711           |
| 2006         | 539,128   | 319,564                            | 1,297,820                       | 1,397,820                                 | 3,554,332           |
| 2007         | 639,120   | 319,560                            | 1,597,800                       | 798,900                                   | 3,355,380           |
| 2008         | 632,640   | 316,320                            | 1,581,600                       | 1,581,600                                 | 4,112,160           |
| 2009         | 632,640   | 316,320                            | 1,581,600                       | 1,581,600                                 | 4,112,160           |
| ARRA         | 700,000   | 757,240                            | 0                               | 0   | 1,457,240           |
| 2010         | 1,049,360                                       | 524,680                            | 2,623,400                       | 3,935,100                                 | 8,132,540           |
| 2011         | 728,160   | 364,080                            | 1,820,400                       | 2,730,600                                 | 5,643,240           |
| 2012         | 693,920   | 346,960                            | 1,734,800                       | 2,602,199                                 | 5,377,879           |
| 2013         | 651,080   | 325,540                            | 1,627,700                       | 2,441,550                                 | 5,045,870           |
| 2014         | 709,200   | 357,100                            | 1,785,500                       | 2,678,250                                 | 5,530,050           |
| 2015         | 709,520   | 352,896                            | 1,773,800                       | 2,660,700                                 | 5,496,916           |
| 2016         | 371,309   | 75,274                             | 486,218                         | 1,049,566                                 | 1,982,367           |
| 2017         | 0   | 0                                  | 0                               | 0   | 0                   |
| <b>Total</b> | <b>\$12,032,625</b>                             | <b>\$6,441,787</b>                 | <b>\$27,766,819</b>             | <b>\$28,112,459</b>                       | <b>\$74,353,690</b> |

**Missouri Department of Natural Resources  
Drinking Water State Revolving Fund  
Notes to the Financial Statements – Unaudited  
Exhibit 6**

**Note 9: Contingencies**

The program is exposed to various risks of loss related to torts, theft of assets, errors or omissions, injuries to state employees while performing program business, or acts of God. The program maintains insurance through the state of Missouri for all risks of loss, which is included in the indirect costs allocated to the program. There have not been any claims against the program since its inception in 1997.

**Note 10: Subsequent Events**

In Oct., Nov., and Dec. 2017, \$3,327,400 was transferred from the administration fee fund into the loan fund and subsequently disbursed as state match for the 2017 federal capitalization grant.

**Missouri Department of Natural Resources Drinking  
Water State Revolving Fund  
Required Supplementary Information – Unaudited  
Exhibit 7**

**Schedule of Proportionate Share  
of the Net Pension Liability  
Last 10 Fiscal Years\***

|   | <u>June 30, 2015</u> | <u>June 30, 2016</u> | <u>June 30, 2017</u> |
|---|----------------------|----------------------|----------------------|
| Drinking Water SRF proportion of the net pension liability  | 0.0998%              | 0.1032%              | 0.1136%              |
| Drinking Water SRF's proportionate share of the net pension liability   | \$2,329,478          | \$3,315,202          | \$5,272,959          |
| Drinking Water SRF's covered-employee payroll   | \$1,910,240          | \$2,185,733          | \$2,260,253          |
| Drinking Water SRF's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 120.95%              | 151.67%              | 233.29%              |
| Plan fiduciary net position as a percentage of the total pension liability  | 79.49%               | 72.62%               | 63.60%               |

\*Figures are based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. This schedule is ultimately required to show information for ten years. Only the data for years currently available is displayed.

**Schedule of Contributions  
Last 10 Fiscal Years**

|   | <u>June 30, 2015</u> | <u>June 30, 2016</u> | <u>June 30, 2017</u> |
|---|----------------------|----------------------|----------------------|
| Required contribution                                     | \$318,628            | \$370,700            | \$383,339            |
| Contributions in relation to the required contribution    | \$318,628            | \$370,700            | \$383,339            |
| Contribution deficiency (excess)                          | \$0                  | \$0                  | \$0                  |
| Drinking Water SRF program covered-employee payroll       | \$1,910,240          | \$2,185,733          | \$2,260,253          |
| Contributions as a percentage of covered-employee payroll | 16.68%               | 16.96%               | 16.96%               |

\*Figures are based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. This schedule is ultimately required to show information for ten years. Only the data for years currently available is displayed.

**Notes to the Schedule:**

**Changes of benefit terms:** There were no changes to benefit terms in the plans for the year June 30, 2017.

**Changes of assumptions:** Economic and demographic assumptions were updated by the MOSERS Board of Trustees on July 16, 2016 to be first effective for the June 30, 2016 valuation. The most significant changes to these assumptions were the reduction of the investment return assumption from 8 percent to 7.65 percent and the adoption of new mortality tables. Mortality rates for post-retirement mortality are now based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The pre-retirement mortality table used is now the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

## Exhibit 8

| Drinking Water SRF Source and Distribution of Loan Administration Fees<br>Fund 0568<br>For Reporting Period of October 1, 2016 through September 30, 2017 |  |   |                       |                                     |                |
|---|--|---|-----------------------|-------------------------------------|----------------|
| 2017 Reporting Period Income  | Program<br>Income<br>Earned During<br>Grant Period | Program<br>Income Earned<br>After Grant<br>Period | Non-Program<br>Income | DW<br>Capitalization<br>Grant Match | Total          |
| FY17 Income   | \$ 52,052  | \$ 746,993  | \$ 143,521            | \$ -                                | \$ 942,567     |
| FY17 Interest Earnings  | \$ 30,903  | \$ 3,182  | \$ 889                | \$ -                                | \$ 34,974      |
| Subtotal  | \$ 82,955  | \$ 750,175  | \$ 144,410            |                                     | \$ 977,541     |
| State Fiscal Year Expenses  |  |   |                       |                                     |                |
| FY17 Personnel Services   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 Fringe   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 Equipment & Expenses   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 PSD Expenditures   | \$ -   | \$ -  | \$ -                  | \$ (3,356,200)                      | \$ (3,356,200) |
| FY17 DNR Transfers  | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 ITSD Transfers   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 HB 13 Transfers  | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 OA Cost Allocation   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
| FY17 State Owned Expenditures   | \$ -   | \$ -  | \$ -                  | \$ -                                | \$ -           |
|   | \$ -   | \$ -  | \$ -                  | \$ (3,356,200)                      | \$ (3,356,200) |
| Subtotal  | \$ 82,955  | \$ 750,175  | \$ 144,410            | \$ (3,356,200)                      | \$ (2,378,659) |
|   |  |   |                       |                                     |                |



Water Protection - Financial Assistance Center

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